Austria ... Sch. 18	Indonesia ... Rp 7500	Portugal ... Esc 75
Bahrain ... Din 0.650	Italy ... L 1100	S. Arabia ... Rls 6.00
Belgium ... BFr 38	Japan ... Y550	Singapore ... S$4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 100
Cyprus ... Mils 600	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.25	Lebanon ... LL 8.00	Sweden ... SKr 6.50
Egypt ... LE1.00	Luxembourg ... LFr 38	Switzerland ... SFr 2.00
Finland ... Fmk 5.50	Malaysia ... Rin 4.75	Taiwan ... NT$35
France ... Fr 8.00	Mexico ... Pes 300	Tunisia ... Din 0.600
Germany ... DM 2.20	Morocco ... Dh 8.00	Turkey ... L 160
Greece ... Dr 60	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$12	Norway ... Nkr 6.00	U.S.A. ... $1.50
India ... Rup 15	Philippines ... Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,367 — Wednesday July 11 1984 — D 8523 B

U.S. investment: as Japanese as apple pie, Page 16

NEWS SUMMARY

GENERAL

Charges made in Nigerian kidnap

Three Israeli nationals and a Nigerian diplomat are to appear in court in London today charged with offences related to the kidnapping of fugitive Nigerian politician Alhaji Umaru Dikko.

The four are charged with abducting Alhaji Dikko and unlawfully administering four stupefying drugs.

Meanwhile in Lagos, the British High Commissioner was summoned to the Foreign Ministry and officially asked to return Alhaji Dikko to Nigeria. Officials in London, however, said no formal extradition request had been received. **Earlier story, Page 8**

Tanker attacked

The 133,035-ton tanker British Renown was hit by two rockets from an unidentified aircraft while on its way to take oil off a crippled tanker in the Gulf.

Suez tolls

Any 1985 rise in tolls for ships using the Suez Canal would be very reasonable and less than the rate of world inflation, the Suez Canal Authority said. Tolls would be announced in early September.

Uranium vote

Australia's ruling Labor Party voted at its annual conference for a continuation of uranium mining. The vote defeated attempts by the party's left wing to force the Government to ban production. Page 4

Macao's future

China says the future of Macao will be settled through negotiations with Portugal when the time is ripe, but for now it is satisfied to maintain the status quo, Radio Macao reported.

Tories attack deal

UK Government was criticised by British Conservative MPs over the EEC budget deal agreed at Fontainebleau. **Page 8**

Priests expelled

Nicaragua's Government ordered 10 foreign Roman Catholic priests to leave, accusing them of activities designed to destabilise the country. **Battle over agrarian reform, Page 4**

Fine 'illegal'

The European Court of Justice said Britain acted illegally in fining a Danish trawler owner for fishing in British waters in January 1983. **Page 2**

Coalition offer

Israeli Prime Minister Yitzhak Shamir made a surprise offer to form a coalition with the opposition Labour Party, but the opposition leader rejected the idea. Page 4

Miners trapped

Smoke from a mineshaft fire held back rescuers trying to reach 121 miners trapped with limited air supplies 6,500ft under the surface, near Taipei.

Meat supplies

The Polish Government said meat supplies, in the past one of Poland's most sensitive political issues, would fall in the next six months, official newspapers reported.

Twin calves

Japanese government researchers have produced sets of twin calves by implanting two eggs in one cow, opening the way to a big increase in beef production and a cut in costs.

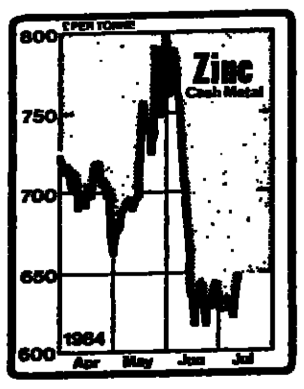
BUSINESS

London backs dealing reforms

A RADICAL new system for share dealing was endorsed by the London Stock Exchange as part of measures to remodel the British securities market. The new system will end the separate functions of stockbrokers and stockjobbers. Page 18

STERLING recovered slightly to close at $1.3095 from $1.3065. It also improved to SwFr 3.124 (SwFr 3.12) and Y316.3 (Y316.25), but fell to DM 3.6935 (DM 3.705) and FFr 11.3525 (FFr 11.3675). The pound's trade-weighted index was at a record low of 77.2 from 77.6. In New York it closed at $1.3025. Page 37

DOLLAR fell slightly to DM 2.8235 (DM 2.8395), FFr 8.67 (FFr 8.7175), SwFr 2.3855 (SwFr 2.392) and Y241.55 (Y242.6). On Bank of England figures, the dollar's trade-weighted index fell to 136.1 from 136.4. In New York it closed at DM 2.841, FFr 8.7025, SwFr 2.396 and Y242.25. Page 37



WALL STREET: The Dow Jones industrial average closed 7.17 down at 1,126.88. Section III

GOLD improved by $5 on the London bullion market to $345. It was also higher in Frankfurt at $344.25 and in Zurich at $345.25. In New York, the Comex July settlement was $343.50. Page 36

TOKYO investors held back but the Nikkei-Dow market average managed a 13.39 gain to 10,386.61. Section III

LONDON gilts and equities suffered from sterling and money-supply levels. The FT Industrial Ordinary index shed 18.6 to 793.0. Section III

HONG KONG stocks pulled out of an 11-day slide. The Hang Seng index added 31.71 to 805.31. Section III

JEAN GODEAUX, president of the National Bank of Belgium, was appointed president of the Bank for International Settlements to succeed Dr Fritz Leutwiler. Page 2

JAPAN enjoyed a record $4bn trade surplus with the rest of the world in June – partly because of a big demand in the U.S. for video recorders and televisions for the Los Angeles Olympic Games.

CONTINENTAL Illinois, the troubled Chicago bank, has agreed to sell its London merchant bank, Continental Illinois Ltd, to First Interstate Bank of Los Angeles for an undisclosed sum. Page 19

INTERNATIONAL PAPER, the world's largest paper maker, lifted net earnings by more than a third to $67m from $49.8m in the second quarter. Page 19

CBS, the U.S. broadcasting, records and publishing group, achieved record earnings of $87.6m in its second quarter, 49 per cent up on last year's comparable period. Page 19

AUSTRALIAN publisher Rupert Murdoch has received approval from a Dallas court to continue buying shares in St Regis, a U.S. forest products group. Page 20

ELF AQUITAINE, the French state-owned oil group, has pulled out of a Guatemalan oil exploration venture Page 20

Surge in Britain's money supply puts pressure on rates

BY PHILIP STEPHENS IN LONDON

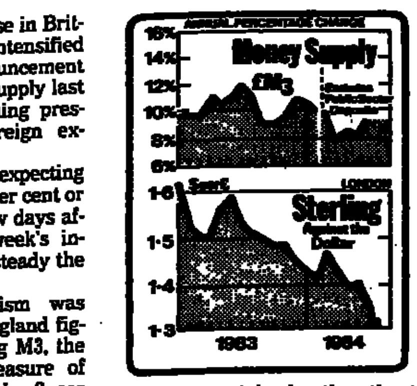
DEMANDS for another rise in Britain's base lending rates intensified yesterday after the announcement of a surge in the money supply last month and amid continuing pressure on sterling on foreign exchange markets.

Financial markets are expecting a rise in base rates to 11 per cent or higher within the next few days after the failure of last week's increase, to 10 per cent, to steady the pound.

The markets' pessimism was reinforced by Bank of England figures showing that sterling M3, the most closely watched measure of the money supply, grew by 2 per cent in June, well above nearly all forecasts.

The three-month sterling interbank rate, a key indicator of the general level of interest rates, rose to about 11¼ per cent yesterday, suggesting that base rates will have to move to 11 per cent. Share prices and government stocks suffered heavy losses.

Mrs Margaret Thatcher, the Prime Minister, sought to calm speculation that the authorities would have to take drastic action to defend sterling.



She told the House of Commons that despite the steep rise in sterling M3 last month, the overall monetary situation was satisfactory. "The recent rise in interest rates demonstrates the Government's commitment to firm monetary conditions," she said.

"The economy is in good shape. Inflation is well under control," she said, adding that an end to the miners' and dockworkers' strikes would restore confidence in the economy.

Foreign exchange dealers and City of London brokers, however, remained doubtful that the Government would be able to stave off at least a temporary rise in base rates. "It is not a question of if, but by how much," one senior banker commented last week.

Some brokers speculated that an increase of around 2 percentage points might be needed to restore the markets' confidence.

Sterling yesterday again suffered losses against most major currencies. Its trade-weighted index against a basket of currencies fell to 77.2 from 77.6, although the expectation of higher base rates limited its fall.

Against a generally weaker dollar it closed slightly higher at $1.3095 in London, up from $1.3065 on Monday.

The June rise in sterling M3 took the measure's annualised growth rate since the start of its target period in February up 14¾ per cent.

Continued on Page 18

Editorial comment, Page 16; Lex, Page 18; Money markets, Page 37

N. Sea oil production levels criticised by Opec

By Dominic Lawson in Vienna

BRITAIN and Norway came under attack at yesterday's meeting of the Organisation of Petroleum Exporting Countries, as ministers attempted to force through a package of unchanged quotas and prices against Nigerian opposition.

Mr Kamel Hassan al-Maquhour, Libya's Oil Minister and the president of Opec, said that there was a 13.5 per cent increase in North Sea production in the first five months of this year compared with the same period of 1983. This greatly contributed to destabilising the market and to aggravating the situation of oversupply which characterised this period, he said.

But as ministers got down to their first hard bargaining session, Sheikh Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, left little doubt that the focus of his strategy would be to maintain Opec's production ceiling of 17.5m b/d.

Sheikh Yamani acknowledged that the organisation was currently producing 1m b/d in excess of that figure, although like other oil ministers he denied that his own country was responsible for any over-production.

Before entering a second, closed session of the meeting yesterday, Sheikh Yamani said he was sympathetic to the Nigerian cause and that "everything is negotiable."

But the Saudis are known to be deeply concerned about any disturbance to Opec's official pricing and production strategy, which could have the effect of further weakening already depressed oil prices.

Other ministers, however, said bluntly that a rise either in the overall production ceiling or individual quotas was impossible.

"It is not possible in the current situation of the market to increase prices, the ceiling or quotas," said Dr Arturo Hernandez Grisanti, Venezuela's Oil Minister.

The Saudis may, however, attempt to offer some formula in the meeting for a rise in Nigeria's quota at a later stage. There has also been speculation that the Saudis might quietly restrain their own production – unofficially said to have been running at 5.7m b/d, or 0.7m b/d over target in June – in order to allow more production for Nigeria.

However, Sheikh Yamani and Prof Tam David-West, the Nigerian minister, both denied yesterday there were any private deals between them.

Energy Review, Page 14

Siemens plans new series of microchips

BY JONATHAN CARR IN STOCKHOLM

SIEMENS, West Germany's biggest electricals concern, plans to invest more than DM 1bn ($325m) to the end of the decade in its so-called "mega-project" – the production of a new generation of far more powerful microchips.

	Sales (DM)	Net profits (DM)
1980*	31.9bn	633m
1981	34.6bn	509m
1982	40.1bn	738m
1983	39.5bn	802m
1984**	20.1bn	410m

*Year to September
** First half-year ended March

Announcing this at a press conference in Stockholm, Dr Karlheinz Kaske, chief executive, also said Siemens had pulled its troubled electronic components sector back into the black after three years of losses.

The two statements underline that, after a slow start, Siemens is redoubling its efforts in the key microelectronics field to meet the challenge of its competitors – particularly in Japan and the U.S.

Siemens is already producing 64K memory chips in large quantities. These are capable of storing more than 64,000 bits of computer data. It plans to start series production of 256K chips in Austria next year.

Dr Kaske said in the first stage of the new project Siemens aimed to invest DM 400m in development and manufacture of a one megabit chip, able to store 1m bits of data.

Much of that sum would go on construction of a factory in Regensburg, Bavaria, where series production of the new memory chip was planned to start in 1987.

Dr Kaske noted that the Japanese were expected to start production of their one megabit chip in the course of 1986.

The second stage of the project would be production of a four megabit chip. This called for DM 400m of development investment up to 1990 at Siemens' research centre at Perlach, in Munich, and "several hundreds of millions of D-Marks more" for new manufacturing capacity.

Siemens is forcing the pace in the knowledge that microelectronics holds one important key to success in other major fields of company activity – including communications,

Continued on Page 18

Philips and Siemens in chip research, Page 14

UK dockworkers' strike wins a strong response

BY DAVID BRINDLE AND DAVID HELLIER IN LONDON AND ROBIN REEVES IN CARDIFF

DOCKERS in most of Britain's major ports yesterday responded strongly to the Transport and General Workers' Union's call for a national strike over the dock labour scheme.

The scheme was introduced in 1947 and provides for registers of dock workers controlled by local boards and the National Dock Labour Board, with employers and workers equally represented.

As talks began in London last night in an effort to find a solution to the dispute, employers and shippers admitted that the extent of the strike on its first day had taken them by surprise.

In the House of Commons Mrs Margaret Thatcher, the British Prime Minister, said many dockers' jobs would be threatened unless they returned to work. Ports and dockers elsewhere in Europe would be "cheering" the British strike.

The call for a strike by the transport union's 35,000 docks and waterways workers came after the union claimed that the labour scheme had been breached by British Steel's decision to bypass registered dockers who had refused to load iron ore on to trucks for transport from Immingham docks in eastern England to Scunthorpe steelworks.

It appeared that almost all 53 ports registered under the labour scheme had been brought to a standstill by last night, with many of the 150 or so main non-registered ports.

Mr Nick Finney, director of the National Association of Port Employers, said before last night's talks with union leaders a settlement would not be possible if the employers were expected to "condemn" British Steel's action at Immingham.

The Immingham dispute should be resolved through the established framework of the dock labour board, Mr Finney said. If, however, the unions wanted a declaration of the employers' support for continuation of the labour scheme an end to the strike could be found.

Mr Finney described the dockers' response as "heavy". He said about 25 per cent of seaborne trade was continuing. The London Chamber of Commerce said shipping companies had been "a little surprised" at the extent of the stoppage.

Shifting pattern of trade, Page 8

European-owned US bank loses $137m

BY PAUL TAYLOR IN NEW YORK

EUROPEAN-American Bank (EAB), the New York undertaking owned jointly by Midland Bank of the UK and five other European banking groups yesterday reported a $137.7m second-quarter loss. The deficit was attributed mainly to a write-off of problem loans.

EAB said that, as a result, its shareholders, which apart from Midland are the Amsterdam-Rotterdam Bank, Creditanstalt-Bankverein, Deutsche Bank, Société Générale de Banque (Belgium) and Société Générale (France), have been forced to inject an additional $80m in new capital into the banking group.

Separately, Midland announced that, as planned under an agreement with the U.S. Federal Reserve Board related to its acquisition of a majority stake in the loss-making Crocker National banking group in 1981, it planned to reduce its 20 per cent stake in EAB to not more than 5 per cent by October 15. The UK-based international banking group said its fellow shareholders in EAB had agreed to enter into negotiations to that end.

Midland stressed, however, that it had continued to support EAB and had provided $16m of the capital infusion – $8m in new equity and $8m of subordinated loan stock.

EAB's second-quarter loss takes the deficit for the first half of 1984 to $135.66m compared with a $18m profit in the same period last year.

The loan write-offs are generally seen as a "house-cleaning" operation by the bank's new chairman, Mr Ray Dempsey, who took over in March. Mr Dempsey said yesterday, "Our new strategy forced us to face up to our problems and put them behind us once and for all.

Continued on Page 18

Komatsu bid for Richier may signal start of Japanese raid

BY DAVID MARSH IN PARIS

KOMATSU, the Japanese construction equipment manufacturer, has made a preliminary bid to take over part of the activities of Richier, the bankrupt No 2 French maker of construction equipment, in a move that might signal the start of a big Japanese attack on the continental European market for earthmoving equipment.

Richier, which has prestige on foreign markets but which has suffered severe financial difficulties in recent years, was put into liquidation in May after the collapse of a previous Government-support rescue plan.

Komatsu, which is second only to Caterpillar Tractor of the U.S. among world construction equipment manufacturers, has made clear its interest in Richier in contacts with government officials. Although the affair is far from being decided, officials said the Japanese offer seemed "more interesting" than those made by other candidates for Richier's operations. They include Liebherr of West Germany and Yumbo, the former French subsidiary of International Harvester since taken over by its management.

Komatsu's interest in Richier – which makes and distributes a range of hydraulic excavators and other construction equipment – has already unsettled Poclain, France's main construction equipment maker. Poclain, now 44 per cent owned by Tenneco of the U.S., has suffered savage competition from Komatsu, Hitachi and Mitsubishi in world excavator markets during recent years.

Until now, the Japanese have launched their key European assault on the UK construction equipment market.

Poclain fears, especially since Hitachi has recently moved into the French earthmoving distribution sector, that Komatsu's interest in Richier might herald a full-scale conflict with Japanese constructors on its home territory. It believes that Komatsu wants, above all, to take over Richier's spare parts and distribution business. That would give it a key entry card for the French market.

The French Government has traditionally been wary of Japanese investment in important French industries, but Sumitomo Rubbers takeover earlier this summer of the bankrupt French subsidiary of the Dunlop tyre group has widely been seen as marking a change of attitudes towards the "Japanese solution."

Although the Sumitomo takeover was fiercely contested by Michelin, France's leading tyre group and No 2 worldwide, it was finally approved by the Government in the interest of limiting job reductions in a badly depressed industrial sector.

Richier, founded in 1929, has had a chequered history in recent years. It was owned by Ford of the U.S. between 1972 and 1979, but was saved from bankruptcy in February last year by government funds and the intervention of M Gilles Poncin, a French industrialist. Richier was put into liquidation two months ago after it ran into renewed difficulties

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EUROPEAN NEWS

EEC court rules UK fishing ban illegal

BY PAUL CHEESERIGHT IN BRUSSELS

MR KENT KIRK, the Danish trawler owner and former member of the European Parliament, who challenged the UK Government's right to ban Danish boats fishing in British coastal waters, has won his case in the European Court of Justice.

The Court yesterday handed down a judgment in Luxembourg saying that EEC law did not permit the ban, which lasted for three weeks at the beginning of last year.

The effect, according to legal experts, is that Mr Kirk may have returned to him a £30,000 fine imposed in January 1983 by North Tyneside magistrates. He could also receive costs.

The experts doubted whether the Court judgment would have a wider impact, however, noting that the events leading to the arrest by the Royal Navy of Mr Kirk fishing inside the UK 12-mile limit, his subsequent trial and fine related to a specific period of three weeks of legal vacuum.

Mr Kirk appealed against the fine, imposed under the terms of the Sea Fish (Specified UK waters – prohibition of Fishing) Order 1982, to the Newcastle Crown Court.

This Court referred the matter to the European Court, asking if the UK had the right to enforce the Sea Fish Order.

Mr Kirk had made no secret of his desire to pursue the UK Government to the European Court.

He won his case on what legal experts see as narrow grounds.

According to Community rules there should be equal access to fishing grounds. Under the terms of its accession to the Community, however, the UK was exempted until the end of 1982.

Only on January 23, over a fortnight after Mr King's arrest, did the common fisheries policy come into existence, extending the exemption and making it retroactive to January 1, a week before Mr Kirk's arrest.

Because there were no fishing regulations between January 1 and January 23, the UK Government stepped in with its ban under the Sea Fish Order. The Court said, however, that penal sanctions – the £30,000 fine – could not be retroactive.

Inquiry into Pujol case to go ahead

By David White in Madrid

THE CONTROVERSIAL legal action involving Sr Jordi Pujol, head of the Catalan regional government, and 24 other former executives of the Banca Catalana group, has moved forward with a decision by the Territorial Court in Barcelona to press ahead with investigation of the charges.

The decision, reached unanimously by the court, implies that the case presented by the prosecution is accepted as providing possible grounds for trial.

The charges against Sr Pujol, which his Catalan nationalist supporters claim are politically motivated, relate to alleged misappropriation of funds between 1974 and 1977 when he left the chairmanship of the banking group.

The court will also look into forgery charges but since the period in which action can be taken on such offences is limited to five years, they appear not to apply to Sr Pujol.

An examining magistrate had been appointed to pursue the case and is due to work through the summer.

The charges over Banca Catalana, which collapsed in 1982, with accumulated losses of Pta 139bn (£659m), were announced shortly after Sr Pujol's moderate nationalist party was returned to power in Catalonia in April.

The territorial court initially declared itself incompetent to deal with the case because of Sr Pujol's status. However, the Supreme Court in Madrid handed the case back to it.

Belgian elected to head BIS

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MR JEAN GODEAUX, president of the National Bank of Belgium, was yesterday appointed president of the Bank for International Settlements to succeed Dr Fritz Leutwiler who retires at the end of this year.

The election of Mr Godeaux (62) was formally confirmed at a BIS board meeting after a close-fought race in which the governors of several European central banks vied to become president of the central bankers' own bank in Basle.

But his appointment is in keeping with a now established BIS tradition that its president should come from a smaller industrial country with less of an axe to grind in international monetary affairs. This consideration was itself enough to disqualify other experienced central bankers such as Herr Karl-Otto Poehl of West Germany and M Renaud de la Geniere of France.

M Godeaux, who was yesterday due to celebrate his appointment at the regular monthly lunch for EEC central bank governors, brought to the BIS from the kitchens of Basle's station buffet, is none the less a newcomer to the coterie of central bankers who dominate the obscure workings of the bank.

His appointment as governor of Belgium's central bank dates from just over two years ago. Before that he was head of the country's banking commission and he has also held posts at the International Monetary Fund and in private banking.

Senior central bankers say that he has demonstrated considerable technical expertise in central banking and bank supervisory matters since he first joined the BIS board on his appointment as president of the Belgian National Bank.

Unlike Dr Leutwiler, however, he has always shunned the limelight and is expected to adopt a much lower profile in his new BIS position which runs for three years until the end of 1987 when he will have reached retirement age.

The BIS, whose direct role in the developing country debt crsis has dimnished over the past year, is also likely to take on more of a Belgian hue later this year when Prof Alexandre Lamfalussy, its Belgian economic adviser, is promoted to the position of general manager in succession to Dr Guenther Schleiminger who is due to retire.

M Jean Godeaux: close-fought race.

As president, Mr Gordeaux will preside over the BIS but not over the key committee of governors of central banks from the Group of 10 industrial countries which meets in Basle each month. This role will continue to be assumed by Herr Poehl.

Lisbon wants private capital for banks

BY DIANA SMITH IN LISBON

THE EQUITY of Portuguese Banks nationalised in the 1975 revolution could become accessible to private capital if proposals in the Government's three-year programme for economic and financial recovery are carried out.

The programme represents a concerted effort by Sr Mario Soares's coalition to improve the performance of the public sector and boost the finances of private concerns.

It calls for a change in the status of nationalised banks from "public enterprises" to "companies with public capital." This would permit private participation in future increases of the banks' capital, although the state would retain a majority.

All the nationalised banks will have to increase their capital when Portugal joins the EEC in 1986, to comply with Community levels.

Denationalisation is forbidden by the constitution, but private capital has had the right since February to enter the banking sector in the form of new Portuguese banks or branches of foreign banks.

The suggestion that private enterprise can take a share in existing publicly-owned banks has been greetted with interest by bankers who see it as a way to get round constitutional strictures and inject new resources into seriously undercapitalised Portuguese banks.

Of the eight nationalised commercial banks half are in financial difficulties.

Meanwhile, Sr Soares wants more rapid action from the Bank of Portugal on applications by eight foreign banks to open branches here.

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Greek-U.S. relations take another dive

By Andriana Ierodiaconou in Athens

THE SOMBRE Greek mood over the latest slump in relations with the U.S. lightened yesterday after the State Department in Washington denied reports that the U.S. had blocked the delivery of used F-5 fighter aircraft from Norway to the Hellenic air force.

The State Department said that the U.S. had not yet reached a decision on the F-5s. Officials said the decision is expected to be taken in the next two weeks, but the issue could flare up again if it appeared that the aircraft could go to Turkey, which is also interested in acquiring F-5s.

Mr Monteagle Stearns, the U.S. ambassador to Athens, is scheduled to meet Mr Andreas Papandreou, the Greek Prime Minister, today when they are expected to review bilateral relations. Yesterday, Mr Papandreou, who is also Defence Minister, met the Greek chiefs of staff to review defence needs.

Greek anger arose quickly when *reports that the U.S.* might veto the transfer of the aircraft first appeared over the weekend. Athens issued a thinly-veiled warning to Washington that the operation of the four U.S. military bases and two Voice of America relay stations for the Middle East and South-East Asia in Greece might be curtailed.

*Greece has always been sen*sitive to the slightest hint that the vital flow of military credits and hardware from the U.S. may slow down. It fears that Turkey, a Nato neighbour but an historical enemy which competes with Greece for U.S. aid, might gain the advantage.

Political sensitivity in Athens had already been aggravated before the aircraft row by State Department "leaks" to newspapers accusing the Greek authorities of having released a dangerous Jordanian terrorist in June, despite evidence submitted against him by U.S. and British security agents.

State Department officials also complained about the allegedly pro-Soviet foreign policy line followed by the Greek Socialist Government. There was dismay and incredulity in Washington last May when, at a party congress, Mr Papandreou praised the Soviet Union as an agent of detente and castigated the U.S. as an imperialist power.

That speech, described by one U.S. official as "a President Reagan 'Evil Empire' speech in reverse," is believed to have tipped the scales of U.S. patience against the Government in Athens.

Washington has had its reservations about the Socialists ever since they swept to power in October, 1981, promising to close down the "bases of death," and to redefine Greece's relations with the Western *economic and military camp.*

These reservations were somewhat eased when Mr Papandreou signed an agreement ensuring the operation of the bases for at least another five years. Fears that Greece would quit Nato and the EEC overnight were also calmed after the Prime Minister transferred these goals to the long term.

For a while, it was thought that the Socialist leader might turn out to be a left-of-centre Social Democrat in revolutionary clothing.

The mood soured again as Greek foreign policy started to lean towards Moscow. The list of Mr Papandreou's sins grew in Washington, as Greece refused to condemn the Soviet union on Poland or the shooting down of the South Korean airliner, pursued plans for the creation of a nuclear-free zone in the Balkans, and formally backed the international peace movements.

The Greeks also irritated the U.S. and other Nato partners by refusing to participate in exercises in the Aegean on the grounds that the alliance supported Turkish claims against Greece in the region.

A less public, but important, cause of deteriorating relations has been persistent strikes by Greek employees at the U.S. bases. The U.S. side has been angered by the Greek Government's support for workers' pay and promotion claims.

European fighter starts to roll

By Bridget Bloom, Defence Correspondent

THE DECISION by five European governments to procede with a full feasibility study for a new fighter aircraft was being seen yesterday as a signal political achievement in the capitals of the nations concerned.

On Monday, the defence ministers of Britain, France, West Germany, Italy and Spain met in Madrid to approve the study. They are to meet again in Rome next March when, they hope, the project to produce a European aircraft for the 1990s equal to any from the U.S. will receive the actual go-ahead.

There is little doubt that ministers wanted Monday's meeting to be a success. Months of preparation, involving officials, the air forces and the industries of the five countries had failed to resolve key differences over the type and role of the fighter as well as potential industrial worksharing in its manufacture.

Differences between France and Britain, the countries with highly sophisticated and rival aerospace industries, were especially acute.

Some important differences were resolved on Monday. The target in-service date will be 1995, not 1993, as *Britain would like, or later,* as France and West Germany wanted.

There was also an apparent compromise at 9.5 tons on the aircraft's weight, a key determinant for its military role. Britain, to maximise its air superiority capability, wanted an aircraft of 10.5 tons, whereas France, more interested in ground attack and in a lighter aircraft for export, wanted around 8 tons.

Also agreed apparently were the parameters for possible worksharing. It had been reported that France wanted nearly 50 per cent. As a working assumption for the feasibility study, however, the ministers have fixed between 23-26 per cent each for France, Britain and West Germany, with about 25 per cent being shared between Italy and Spain.

The five countries seem to have accepted that they will ultimately order around 800 aircraft. In current prices, each would cost some £10m-£12m, British officials say, against about £15m for a Tornado.

But it seems clear from preliminary reports that these are only agreements in principle. For the time being, most of the difficulties remain and many are centred on the engine. This was not discussed at all in Madrid. A separate study is to be conducted and completed, ministers hope, before the year's end.

British officials are keen to correct what they see as a misrepresentation of the project: the fighter will need a new engine and the question of who develops it (the French and the British are the only real candidates) is, they say, secondary for the time being.

The first problem is whether an existing engine should be used for the first few prototypes. Britain wants to use the RB-199, built for the Tornado, arguing that to build a new engine and use it to test the new airframe will delay the project and add to its cost.

France apparently half accepts this argument but prefers the U.S. GE 404. However, it continues to argue for a new engine from the beginning.

The second difference concerns the power and size of the engine.

British officials say that in a multinational project of this sort, it is rare to be able to tell when the "Rubicon" is crossed and decisions taken which it would be too difficult or too costly to reverse.

Certainly that point has not yet been reached, though officials insist that, with the sort of ministerial political will the odds must still be on the project ultimately going ahead.

Kremlin lobbies find common interest in a hard line

David Buchan reports from Moscow in the first of two articles

THE SOVIET UNION and the U.S. may yet be able to haggle each other into some agreement about how to start talking this autumn about controlling space weaponry. But the Soviet Union does not intend this to be a breakthrough in the broader East-West arms control deadlock on any terms acceptable to the West.

The Kremlin has its own good reason for not wanting to see its initiative on space weapons widened into discussion of the long- and medium-range nuclear missiles covered by the Start and Intermediate Nuclear Force (INF) negotiations. That initiative is, in large part, a substitute for any change in the position which the Kremlin took when abandoning Start and INF last November.

This, at least, is the belief of some Western diplomats here *who detect a general immobility* in Soviet foreign policy, while the necessarily limited energies of an aged leadership are turned inwards to pressing domestic business, both political and economic.

Theories abound to explain the hardline Soviet foreign policy, which reached a peak in the personal vilification of President Ronald Reagan last autumn but has since acquired breadth and depth with the recent boycott of the Los Angeles Olympic Games and harrassment of U.S. diplomats here.

One is that Mr Andrei Gromyko, who with the death of President Yuri Andropov has moved from chief executor to architect of foreign policy, now feels free to take out on the U.S. his frustration at the failure of the detente policies he regarded as the chief achievement of his 27-year reign at the Foreign Ministry.

Soviet officials are most convincing, however, when, with a new man like President Konstantin Chernenko in the General Secretary's chair, they stress the collective nature of their leadership.

Few observers here see much distance between any "hardline" Gromyko camp and any "moderate" group in the Politburo. If the latter existed, it would likely be led by Mr Mikhail Gorbachev, the economic manager promoted under Mr Andropov, but he too has recently been sounding off against the U.S. with almost as much fervour as, for instance, Marshal Dmitri Ustinov, the Defence Minister.

More persuasive is the theory that important lobbies inside the Kremlin are, for different reasons, not interested in negotiated arms control at the moment, and that the new Soviet President would not have the power—even if he had the will—to bring them around to a different view.

Party propagandists, like Mr Leonid Zamyatin, head of the central committee international department, show signs of still putting their faith in political suasion on Western Europe and perhaps waiting until the next West German election in the hope that a Social Democrat government might remove the U.S. Pershing missiles.

> The arms race with the U.S. is increasingly focussed on technologies in which the Soviet Union seems ill placed to compete.

It would be natural for the Soviet generals, for their part, to seek a somewhat different solution. Given the Soviet head-start in medium-range missiles, they might well argue that the Soviet Union can easily stay ahead in the SS-20/Pershing/cruise competition. This is perhaps why, to the surprise of some Western diplomats here, the Soviet Union has not suggested another moratorium or freeze on deployments in Europe after the U.S. started to place its cruise and Pershing 2s.

Since the tactics of these two groups would be complementary, not alternative, Mr Chernenko may be faced with a powerful alliance which he is in little position to thwart, even if he wanted to.

There is a Defence Council—presumably the equivalent of the National Security Council in the U.S.—and Mr Chernenko heads it in name. Whether he can use it in practice is another matter. Mr Leonid Brezhnev revealed, on the occasion that he was toasting with American negotiatiors his two completed arms control treaties with the U.S., that only during key stages of the Salt process did an NSC style operate in the Kremlin, and that was under a leader well-entrenched in power.

In a general sense, the economy seems capable of supporting any further military demands that Kremlin leaders *might want to place on it.* Indeed, Soviet leaders appear to have realised that they rather overdid the war scare talk which accompanied last year's walk-out from the Geneva Start and INF negotiations. They have recently been reassuring worried citizens that defence spending is adequate and that voluntary contributions and extra work on Saturdays are not needed.

But the arms race with the U.S. is increasingly focused on specific technologies, in which the Soviet Union seems ill placed to compete. Herein lies the interest in curbing the U.S. military effort in outer space.

The Soviet Union may not be panicked by the more futuristic aspects of "star wars" technology. It probably knows from scientific reaction in the U.S. and its own efforts in this field that practical breakthroughs in laser and directed energy beams may not come until the next century. But it knows from recent U.S. tests in anti-missile and anti-satellite weaponry that this is now another field where their relative weakness in computing and micro-electronics places them at a disadvantage.

The squeeze on the Soviet Union is reinforced by the prospect of tighter Western controls on technology sales to the Soviet Union if the Western allies agree this summer to put extra restrictions, through the Paris-based co-ordinating committee (CoCom) on computers, electronic-grade silicon, robotics and the like.

The Soviet Union is taking remedial steps. It is increasing monetary rewards for its own inventors and has got Comecon partners to focus on the Eastern bloc's need to improve indigenous development in the "electronics revolution." But these measures will take time, and may not in any event narrow the technological gap with the West.

Mr Gromyko (right) has taken over the reins of foreign policy since President Chernenko (left) came to power.

Hard currency earnings fall short in Hungary

BY LESLIE COLITT IN BERLIN

HUNGARY'S hard currency earnings in the first half of this year *fell short of their target* as a result of reduced food exports following last year's drought and lower prices in the West.

Total exports to hard currency and rouble markets rose by 6 per cent, higher than planned. But this was because of a sharp 16.5 per cent rise in exports to Comecon countries in the first four months of the year. Imports from Comecan were up by only 3.6 per cent.

The volume of exports to the Soviet Union increased by 13.7 per cent. In previous years, Hungary had deficits in its rouble account trade with Moscow but a surplus in dollars on sales of meat to the Soviet Union.

The central committee of the Communist party announced after a meeting on the economy that Hungary's terms of trade "continued to worsen."

Food exports, the leading hard currency earner, were 15 per cent lower in the first four months of the year than in the same period of 1983, although more processed food was sold than had been planned.

Industrial production rose 4 per cent in the first six months, compared with the same period last year, and was well above the 1.5 to 2 per cent target. Wages rose by 9-10 per cent, faster than intended, while price increases of 7-8 per cent were on target.

OVERSEAS NEWS

Go-ahead for Australia to export uranium

BY COLIN CHAPMAN IN CANBERRA

THE Australian Labor Party yesterday backed Prime Minister Bob Hawke's policy to export uranium, after a fiery and passionate three-hour debate which was the culmination of years or argument within the party.

The decision reverses previous policy which had mandate dthe Government not to permit new uranium mines and to close down the existing industry.

The party voted at its conference in Canberra by 55 to 44 to permit mining exports from two existing mines in the Northern Territory, Norbarlek and Ranger, and to allow the A$1bn (£625m) Roxby Downs project in South Australia to go ahead.

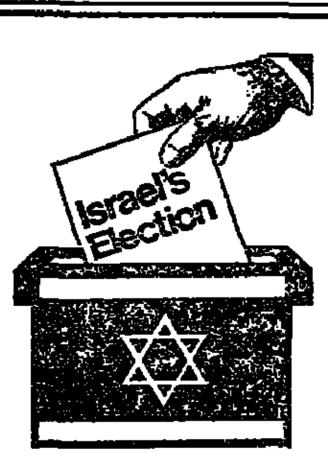
The conference supported a compromise motion restricting exports to those countries observing the nuclear non-proliferation treaty.

Exports to France will be specifically banned until the testing of nuclear weapons in the South Pacific ceases. The Hawke Government is also bound not to provide subsidies or tax incentives to the uranium industry.

As the debate progressed, about 300 demonstrators broke into the hotel in which the conference was being held and sat in the foyer chanting slogans.

When the conference ended for the day the Foreign Minister, Mr Bill Hayden, was pushed down the stairs by a delegate, but was unhurt.

The pro-uranium vote was supported by all four Labor state Premiers and by most members of the Federal Cabinet, although htree Minister voted against it.



Shamir in national unity offer

By David Lennon in Tel Aviv

MR YITZHAK Shamir, Israel's Prime Minister, called yesterday for the establishment of a national unity government after the July 23 general election. He *made this suggestion at the end of a televised debate with Mr* Shimon Peres, leader of the opposition Labour aPrty.

The Premier refused to say later if he would be willing to join such a government if it was led by Mr Peres. "I will answer this question after the election," Mr Shamir said.

The Labour Party leader responded to the challenge by saying that "the problem is not the composition of the Government, but its policies."

The television confrontation, broadcast last night, enabled each party leader to answer five questions about the policies which his party would pursue if he led the next government.

On the key question of the country's current economic difficulties, Mr Peres attacked the Government's record.

He noted that the foreign currency reserves "have fallen to a dangerous level," that in the zone months of Mr Shamir's tenure as Premier, inflation has doubled from 200 per cent to 400 per cent, and that in the past seven years, the Government had spent $9bn (£5.4bn) on building Jewish settlements on the West Bank and on the war in Lebanon.

In response, Mr Shamir emphasised that there is virtually no unemployment in Israel.

Achieving this, as well as spending heavily on social problems "had caused problems with inflation and the balance of payments deficit. But these would be "tackled by the new Likud Government."

India fails to identify 'forces behind Sikhs'

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Government yesterday published its long-awaited White Paper on Punjab but did not give evidence that any foreign power had encouraged Sikh terrorists and extremists, nor did it *identify any country that had* given them assistance.

The failure to do this after many official spokesmen had, during the army action against the Sikh terrorists last month, repeatedly accused Pakistan and other unspecified countries of giving arms and other assistance to the Sikhs has come as an anti-climax and raised many questions about the Government's moves.

This is underscored by the fact that the 170-page White Paper continues to make charges against unnamed other countries without furnishing any evidence except *that arms with foreign markings* were found with the terrorists during the army operation.

"Certain foreign forces with deep-rooted interest to bring about the disintegration of India were extending all types of active support to the extremists' operation within the Golden Temple complex" in Amritsar, the Sikhs' holy city, the White Paper claims.

This point is amplified to justify the Government's action and the White Paper says that "powerful forces are at work to undermine India's political and economic strength.

"*A sensitive border state* with a dynamic record of agricultural and industrial development would be an obvious target for subversion."

The army action at the Golden Temple had "become inevitable to prevent the situation sinking into irretrievable deterioration."

Even though the Akali Dal (the Sikh political party) did not put forward any specific demand of a secessionist nature, "its ambiguity on the concept of Sikh separatism provided a respectable cover for subversive anti-national forces to operate in the secure knowledge that they would *not be politically disowned*," the White Paper goes on.

The Government blamed the Akali Party for allowing the initiative and control of the agitation, which arose from its demands for political and religious autonomy, to go out of its hands.

The main issue, the White Paper says, was not the Akali demands but "the maturing of a secessionist and anti-national movement with active support of a small number of groups operating from abroad."

"Hesitation, second thoughts, unwillingness to come to come to definite conclusions in a *spirit of give and take, and to* deal with the pressures leading to militancy . . . characterised their (the Akalis') attitude.

"Negotiations were time and again frustrated just when the prospect of settlement seemed near."

The White Paper does not, however, say anything about the prospects of a settlement of the Punjab issue.

Hussein urges new Mideast talks

BY RAMI G. KHOURI IN AMMAN

KING HUSSEIN of Jordan has appealed to President Francois Mitterrand of France, who is at present visiting his country, to help unblock Arab-Israeli peace-making efforts by pushing for a United Nations-sponsored Middle East peace conference.

The French President, on a two-day official visit to Jordan, has replied sympathetically, if somewhat cautiously, in public, saying France supports a *negotiated peace based on Arab* recognition of Israel, and the Palestinians' right to self-determination.

It is doubtful that in his three private sessions with King Hussein, before departing for Cairo this morning, he could offer any more substantive promises.

Jordan and France share similar positions on the key Arab-Israeli issues. They both see United Nations Security Council Resolution 242 as the basis of peace, which should include the right of all states in the area, including Israel, to exist in peace and security, and the right of the Palestinians to national self-determination.

But this week's visit simply highlights the virtual helplessness of Jordan and France in the face of Israeli and U.S. objections to the idea of a United Nations' peace conference.

On Monday King Hussein said that Middle East peace prospects have never looked so bleak because of Israel's "increasing arrogance and intransigence," which he blamed on U.S. support for Israel.

He spoke in gloomy terms of the Middle East engulfed in war, despair, instability and confrontation.

He reiterated his proposal for a UN peace conference grouping the Security Council's 15 member states and thet Middle Eastern parties most directly involved — Jordan, Syria, Lebanon, Egypt, Israel, and the Palestine Liberation Organisation.

Israel and the U.S. have repeatedly rejected such a conference, fearing it would only serve as an anti-Israeli forum.

In choosing the occasion of the French President's visit as an opportunity once more to *criticise the U.S. publicly, King* Hussein hopes to emphasise that the Arabs are no longer willing to rely exclusively on U.S. mediation, believing Washington to be too pro-Israel to play the role of an impartial mediator.

He also wants to stress that the converging Arab-European-Soviet consensus on Mid-east peacemaking principles should be promoted as the logical basis for future peace moves.

Inquiry clears S. African oil agencies of corruption

BY JOHN STEWART IN JOHANNESBURG

AN OFFICIAL investigation has found no evidence of corruption or unlawful enrichment by agencies entrusted with South Africa's procurement of crude oil.

Elements of the report, compiled by Mr Justice Piet van der Walt, the Advocate-General, were debated in Parliament yesterday and faced a storm of criticism from the opposition, which hinted that the investigation had not been wide enough. Speakers said they would continue to campaign for another inquiry.

Although the report says that no irregularities were uncovered, it nonetheless recommends parliamentary control over the funding of oil procurement.

It also recommends that the accounts of procurement agencies be subjected to scrutiny by the Controller and Auditor-General.

This is not the case at present. The report concluded that, had there been parliamentary control, "general criticism and gossip" of the kind that led to the investigation would not have been possible.

The inquiry found that, from the report of the auditors of the Strategic Fuel Fund, the principal procurement agency, authority for expenditure on oil was accepted as a "given fact," and that it was never part of the auditors' function to verify contracts and prices.

The Advocate-General's investigation was prompted by documents leaked to the Progressive Federal Party alleging overpayments for oil, reported to be of the order of R38m (£20m). Mr P. W. Botha, the Prime Minister, had ordered the inquiry.

The report confirms that two international oil dealers had received huge sums of money for arranging oil deliveries to South Africa, but the payments had been negotiated, agreed and authorised by the authority.

It says: "A person or persons with ulterior motives spread half-truths and rumours about South Africa's crude oil purchases."

Abolition urged of ban on inter-racial sex

THE politically explosive issue of whether to scrap South Africa's ban on inter-racial sex has been placed before Parliament by a government-appointed committee, Reuter reports from Cape Town.

The Mixed Marriages Act and Section 16 of the Immorality Act are basic elements of the country's Apartheid policy of racial separation. Attempts to remove them appear certain to inflame right-wing whites in Parliament.

The suggestion to remove the ban came in a report tabled by a committee headed by the Deputy Minister of Internal Affairs, Mr Piet Badenhorst.

Shultz call to Third World on debt problems

MR GEORGE SHULTZ, the U.S. Secretary of State, has called on Third World nations to encourage greater foreign equity participation in their development as a way out of their debt problems, Wong Sulong reports from Kuala Lumpur.

After talks with Malaysian leaders, he said the Third World debt crisis had brought home the lesson that "nations, like companies, must pay more attention to their debt-equity ratios."

Mr Shultz is currently visiting three countries belonging to the Association of South-East Asian Nations (ASEAN)—Malaysia, Singapore and Indonesia—and will go to Australia and New Zealand. Asean was *expanding rapidly and could* expect to see a greater influx of U.S. investments, he added.

Manila to pay $88m foreign loan interest

THE PHILIPPINE Central Bank has authorised the release of $88m (£62m) to cover interest payments on foreign loans that fell due at the end of May, Emilia Tagaza reports from Manila.

The release follows the request last week by the Government for another 90-day moratorium on payments of loan principals after the current standstill ends on July 16.

Although the moratorium, first declared in October last year, will be in effect for a whole year, the Government has promised to keep interest payment arrears to no more than 60 days.

The moratorium is expected to be lifted once the International Monetary Fund (IMF) approves a long-delayed SDR 615m (£369m) standby credit. The IMF credit would start the flow of foreign funds into the country which stopped amid political uncertainties late last year.

Beirut shipping, flights resumed

BEIRUT — Foreign ships began dockin gat Beirut's port and regular airline flights resumed from the international airport yesterday, after four days of protests by families of civil was hostages had delayed re-opening the facilities.

The army command proclaimed four major crossings between Christian East and mostly Moslem West Beirut open open to two-way traffic yesterday. They were all cleared of burning tyres and barricades set up by the protestors, a communique said.

Four ships from Europe and Latin America entered Beirut's harbour carrying cargoes of grain, iron bars, and paper, the port authority stated.

Middle East Airlines, Lebanon's national carrier, announced resumption of regular flights between Beirut, Europe, and the Middle East.

Airline spokesman said their aircraft brought 479 passengers to Beirut and took off with only 30 on Monday. Traffic is expected to increase all this week now that the protestors have called off a blockade of all roads leading to the airport.

Meanwhile, police said Libya's kidnapped chief diplomat in Lebanon, Mr Mohammed Al-Feitouri, had been released.

A group calling itself the "Sadr Brigades" telephoned the Libyan embassy soon after Mr Al-Feitouri's abduction on Monday, claimed responsibility, and demanded that all Libyan nationals leave Lebanon within 48 hours.

AP

AMERICAN NEWS

U.S.-Soviet hotline talks to resume

By Reginald Dale, U.S. Editor, in Washington

U.S.-SOVIET talks on upgrading the White House-Kremlin "hot line," for use in international emergencies, are to resume in Washington later this week in what the U.S. hopes will be the final round of negotiations.

The U.S. would like an agreement as a sign that the current freeze in superpower relations is not total and that it is still possible t omake progress in areas other than the stalled Geneva negotiations on strategic and intermediate range nuclear missiles.

Precisely for these reason, Mosco whas been slow to conclude the "hot line" talks, insisting that they are a technical, not a political matter. The Kremlin appanrently fears that the U.S. side might announce an agreement with considerable flourish, in the hope of boosting President Reagan's sought after pre-election image as a "man of peace."

Soviet negotiators have rejected some of Mr Reagan's more ambitious proposals for improving the 20-year-old hotline. The plan, however, now seems to be to supplement the existing slow teleprinters with new high-speed equipment

On another front, U.S. officials said that negotiations would soon begin in Moscow on renewing a lapsed U.S.-Soviet cultural agreement, facilitating exchanges of groups like ballet and theatre companies.

There was little sign yesterday, however, of any progress *on the resumption of arms talks* between the two governments in Vienuna in September.

Tim Coone in Managua looks at how Sandinista policy affects peasant farmers

Nicaragua's battle over agrarian reform

OVER THE PAST year, according to Government figures, almost 100 state farms and co-operatives have been burnt to the ground in Nicaragua by U.S.-backed counter-revolutionaries, or contras. Hundreds of peasant farmers have been killed defending their homes and farms and the economic losses run into hundreds of millions of cordobas (10 cordobas=£0.76). The battle for the revolution has become in the countryside a battle over the agrarian reform.

The seeds of the conflict were sown by the 1981 Agrarian Reform Law, which allows for the expropriation of farms over 500 manzanas in size (1 manzana equals 0.7 hectares) abandoned by their owners or poorly utilised.

Since 1981, some 400,000 manzanas have been expropriated from 350 owners, the majority redistributed to landless peasants and itinerant farm labourers traditionally at the bottom rung of the Nicaraguan socio-economic ladder. Much has also been distributed to displaced peasants from the frontier zones who have lost their lands and homes as a result of contra attacks.

Most of the redistributed land is owned and worked on a communal basis by its new owners, with over 650 co-operatives having been formed since the 1979 revolution. According to Sr Orlando Nunez, head of the Ministry of Agriculture's think tank Ciera (Research and Studies Centre of the Agrarian Reform) and a top adviser to Sr Jaime Wheelock, the Agricultural Minister and Sandinista leader, the aim of the reform and co-operativisation "is to move the poorest peasants from the marginal to more productive lands and to use the co-operatives as the most efficient channel for credit and technical improvements in food production." "The war," he said, "has in fact accelerated that process by displacing over 100,000 people from the frontier zones."

The Red Cross distributes food to children in Quionto, Nicaragua, after their homes were burned, the people say by U.S.-funded rebels.

However, the presence of the new co-operatives, combined with the militant "Sandinismo" of their members and backed with credit and technical support from the state, has caused fear and resentment among another class of farmers—the small and medium-sized farmer with his own parcel of land.

Conservative in outlook and reluctant to involve themselves politically with the revolution, they have been further alarmed by the arming of the neighbouring co-operatives and state farms (a measure taken to defend them against the contra attacks) and have proved to be easily won over by the contras.

The rural conflict has thus polarised between the inhabitants of the state farms and co-operatives on the one hand and around 40,000 small and medium farmers on the other.

To understand the Sandinistas' preoccupation with the agrarian reform, one has to understand only one statistic—the 3.5 per cent annual population growth rate. This year's 3m mouths to feed will have become 5m by the year 2000.

"The revolution has tried for four years to convince the small and medium farmer that the revolution is for them. But they see themselves as big farmers in the future and therefore mistrust the agrarian reform," said Sr Nunez. "In the meantime we still have to feed the population."

Despite the contra attacks, the co-operatives have become well established. Thirty-five per cent of the basic grain product is planned to come from the co-operatives this year from 30 per cent of the cultivated land in the country. The small and medium farmers by contrast are expected to produce only 25 per cent of the basic grains this year on an area of land, 315,000 manzanas, similar to that of the co-operatives.

The state sector is also to play a major role. Using the lands expropriated from the former dictator Anastasio Somoza and his associates in 1979, over 1,200 state farms are now in production. Nicaragua is already self-sufficient in rice due to several major state projects implemented over the past two years, and cotton, sugar, meat and milk production are all to increase rapidly over the next five years through investment in the state farms.

Agroinra, a state enterprise charged with implementing seven major agricultural schemes aimed at import substitution and export development, last year planted 18,000 manzanas of maize as an irrigated catch crop with cotton.

The results have been impressive. Sr Edgardo Chamorro, the head of Agroinra, said: "We shall be planting 5,000 manzanas of irrigated maize per year up to the end of the century on the state farms and co-operatives. We shall be the granary of Central America because none of the other countries are investing in agriculture as we are, and they will need our food in the next decade."

Nonetheless, this year some $20m of maize will have to be imported due to production shortfalls. It is also a problem rooted in the agrarian reform.

Eight million manzanas of land are classified as *agricultural in Nicaragua*, but only 1m manzanas are used for cultivated crops. The rest is idle or extensively-grazed cattle land.

"The problem is not a shortage of land," said Sr Nunez, "it is one of distribution and one of capital. We need to use our resources of land, seeds, fertilisers and machinery efficiently, and the best way to do that is through the co-operatives."

Cordova considers how to head off anti-U.S. feeling

BY ROBERT GRAHAM,

THE HONDURAN government is under pressure to obtain greater financial concessions from the U.S. fo rthe substantial American military presence in the country.

In the past two weeks the government of President Roberto Suazo Cordova has been considering how best to make the approach. His aim is both to appease popular frustration over budgetary cuts and a wage freeze and to head off signs of resentment over the U.S. presence.

Since last year Honduras has become the cornerstone of the Reagan Administration's policy in Central America. Honduran territory is being used for aerial reconnaissance of El Salvador and Nicaragua, as a training base for Salvadorean troops and the main centre for the activities of U.S. backed anti-Sandinista rebels.

Inside Honduras, the U.S. has established a network of facilities within the last two years that provide an intervention capacity for Central America. Honduran territory has been used by the U.S. military for major exercises, the latest finishing last month.

The U.S. pays no formal rent or compensation for being able to use Honduras in this way, the facilities being established in the context of a 1954 Honduran-American treaty.

U.S. militray and economic assistance has risen sharply. In the 1984 U.S. financial year economic assistance — mostly development funding and budget support—totalled $168m, with military aid worth a further $78m.

However, the country has been in sharp recession for the past three years with falling export prices for its main hard currency earners — bananas, coffee, sugar and timber.

Tight budgetary curbs have been introduced under pressure from the International Monetary Fund, and wages have been frozen. This has obliged President Suazo Cordova to look nce more to the U.S. for further assistance.

He is also doing this because *of feelings* both among some officers and within the trade union movement that Honduras has gained insufficient return for being so useful to the U.S.

This sentiment has emerged since the armed forces strongman, General Gustavo Alvarez Martinez was ousted by his fellow officers *in March. Gen* Alvarez was responsible for permitting the rapid U.S. build-up in Honduras.

His departure led to a sense of greater freedom in the country and demands from opposition politicians for a curb on the U.S. presence. On Sunday the first ever demonstration against the U.S. military in Honduras has been called by a coalition of opposition politicians, trade unionists and human rights activists. It is due to be held at the town of Comayagua, north of the capital Tegucigalpa and close to the main U.S. base and airfield, Palmerola.

Supreme Court becomes more conservative

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan has every reason for satisfaction with the Supreme Court's decisions in the 1983-84 term which ended last week.

It upheld many of the conservative views and policies of the Administration even though the President named only one of the court's nine justices. While failing to directly repudiate many of the liberalisations of the court in the 1950s and 1960s, it moved decisively in favour of governmental authority, putting the need for order above that of individual rights.

Most striking, considering the pleas of Chief Justice Warren Berger for prison reform, were many decisions involving criminal cases. The court allowed, for the first time, "preventative detention" for juveniles who are accused but not yet convicted, of a crime.

Although young defendants would be placed in the usually hazardous confines of local jails and juvenile facilities, the court reasoned that detention would not only protect society but would also protect juveniles from the consequences of further actions such as *"physical injury which may be* suffered when a victim fights back or a policeman attempts to make an arrest."

The court is plainly weary of criminals winning their freedom due to technical errors in trial. It ruled that evidence seized illegally could sometimes be used to convict if police believed they were acting properly when they seized it. For thet first time it permitted an exception to the rule that police must advise suspects in custody of their right against self-incrimination.

It decided that prisoners have no right of privacy in protecting their possessions against intentional destruction.

The court infuriated civil rights activists by supporting the Administration's fight against job quotas. It ruled that the rights of seniority prevail in firings even though blacks who were hired in "affirmative action" programmes, are often the first to be laid off.

Feminists, however, wont two important victories. The court upheld the rights of states to forbid sex discrimination by all-male private organisations and it said law firms may not discriminate in promotions on the basis of sex or race.

In several other important cases, the court accepted the arguments of the Administration, it said the Government could curb tourist and business travel to Cuba. It ruled that the Administration need not consider the environmental concerns of the coastal states when offering oil and gas leases for sale on the outer continental shelf.

It permitted Federal immigration official to conduct unannounced raids on factories and businesses to look for illegal aliens. It allowed more flexibility which the administration sought in the application of anti-trust laws.

Civil libertarians have won ried aloud about the future of the Supreme Court if President Reagan is re-elected. Five of the nine justices are 75 or older, and it is likely that Mr Reagan will have the opportunity to replace the two remaining liberals and some of the moderates.

Pentagon moratorium

BY OUR U.S. EDITOR IN WASHINGTON

THE PENTAGON has placed an indefinite moratorium on the disposal of surplus U.S. military equipment, worth $3.5bn a year, while it investigates whether large sums of money are being wasted.

The move was announced after it was discovered that the air force has been often obliged to repurchase spare parts ranging from screws and nuts to aircraft doors, which it had earlier sold off as unwanted.

The Pentagon said the review would assess the specific problems of the Air Force and look into whether similar inefficiencies existed in the army, the navy and the marines. All services have been asked for a written report on how well their systems are operating.

Officials said that surplus equipment disposed of last year amounted to about 1.5 per cent of the military's total equipment inventory. About 25 per was recycled to other services and 20 per cent either donated or sold to U.S. government agencies or friendly foreign governments.

HOW THE MINERS ON STRIKE HAVE BEEN MISLED...

ABOUT THE FUTURE OF THE INDUSTRY.

We are now starting the 18th week of a strike that everybody knows is damaging our industry.

We'd all like the strike to end. So why then is it continuing?

The simple reason is that the men who are striking are doing so because they have been led to believe that the future of their industry is at stake.

But this is not true. It cannot be true.

Coal is potentially a cheaper energy source than oil or gas. And, unlike oil and gas, it will still be around a hundred years from now.

To take advantage of this massive national asset, Britain needs a successful, profitable, and growing coal industry.

Sales of coal have been declining for many years.

But we believe in two to three years time, we can do something that hasn't happened for many years. And that is to get coal sales going up – instead of down.

It must start with reducing the average price of our coal. So that it's cheap enough to sell against the competition. To do so, we must mine more coal from low-cost mines, and less from high-cost mines.

We must stop spending hundreds of millions of pounds a year supporting mines without a future, and put that money instead into our mines that have a future.

We also need to have good men working in our best pits.

This is why it is necessary to close the worst, where we are paying around £90 a tonne to mine coal which we could have difficulty in selling at half that price.

To all the men working in those pits, we promise: **If you want to stay in the industry, you will be sure of a job.** In most cases, this will be in easy travelling distance – but if you have to move, we will pay the costs involved.

The newer mines will give a better working environment. A better chance to use skills and talents to earn more. It will also give security – because our mines have long projected lives.

That's what we are offering to men who want to stay in the industry.

To men who want to go, the Government is offering even more generous voluntary redundancy than last year.

Remember, over the past three years, not a single miner who has **wanted to stay in the industry has been made to leave.**

That is why there is no reason to fear the future.

The Government is providing us with £2 million a day to invest in our industry. No other country in Western Europe is investing so heavily in the future of coal.

We all have every reason to believe in the future of our industry.

However, there is one big BUT.

If we want to sell more coal, we will need many new buyers in British industry and overseas.

But they won't switch to our coal – however good the price – unless they can be sure they can rely on our deliveries.

This strike – not the Coal Board – could butcher the industry.

That's why it is so important that this strike ends soon.

It was called by the miners' leaders. It now needs to be called off by the miners themselves.

NCB

One in a series issued by the National Coal Board.

WORLD TRADE NEWS

Paul Cheeseright on why Belgium and Zaire still need each other

Old friends troubled by debt crisis

TELEPHONE calls from Zaire to Belgium have to be made in collect these days. The Zaire telephone authorities owe their counterparts in Belgium some BFr 1.5bn (£19.9m) and there is not much evidence to suggest they will find the hard currency to pay.

Even though a lot of that debt was probably built up by Belgians in Zaire tipping loosely controlled local telephone operators to let the calls go through for nothing, the debt is a niggling reminder of the practical difficulties ow keeping smooth relations between the two countries.

In commercial terms, the old master and the former colony —independent since 1960—still need each other. This interdependence will be evident when, today, President Mobutu of Zaire lands in Brussels for a working visit to the Belgian Government.

Exports from Zaire to Belgium far outweigh Belgian sales to Zaire does not want to buy, it just cannot pay.

So for the last three years Belgian exports — largely machinery transport equipment and metal products—have held in the BFr 7-8bn range.

Zairean exports to Belgium, on the other hand, have been slipping in value. This is largely the result of sluggish prices for copper, which remains at the centre of Zairean sales. Exports were BFrs 35.9bn in 1981 but in the first 11 months of last year were down to BFrs 18.47bn.

But there is another factor. For years Belgium bought around half of Zaire's copper for processing by Hoboken-Overpelt. The deliveries were pre-financed through Societe Generale des Minerals, but Zaire had to pay interest on that. So the amount of pre-financing has tended to drop because of the hard currency shortage at the same time as Zaire was seeking to diversify its markets in countries like France, Germany and the U.S.

The diversification emphasises that Zaire is no longer an exclusive preserve for Belgian business. Indeed the authorities in Brussels are worried about the way the French presence is building up in Zaire, through an aparent readiness to undertake prestigious capital projects.

For the moment though Belgium has few competitors. There ics no great anxiety to sell in Zaire until Zaire can pay.

The country is undertaking a programme of rationalisation, the price for an International Monetary Fund loan, and both its official and bank debt has been rescheduled. But Zaire is a byword for inefficiency and corruption.

The country's total debt is around $4bn, or $1bn less than four years ago. But if that debt is treated in per capita income terms, then the country is more heavily burdened than, for example, Chile, Costa Rica, Morocco or Sudan.

Of that total, the Belgian share, difficult to assess accurately, is about an eighth—over BFr 30.4bn (£271m).

This is split up five ways:

● Over BFr 12bn of bank and Government loans—the two are difficult to divide because of the amount of officially guaranteed export credit.

● Permanent credits at the Zaire central bank, now totalling BFr 1.5bn.

● Nearly BFr 2bn for compensation to the host of small Belgian investors in KDL, an old railway. The debt was rescheduled for payment over five years in 1981, but only one year's instalment has been paid.

● Compensation for the spate of nationalisation which took place in Zaire during the 1970s. Zaire is paying Belgium over 20 years, and Belgium is paying individuals over 10 years. This scheme, covering BFrs 3.4bn, is working.

● The BFrs 1.5bn telephone debt.

When Mr Wilfried Martens, the Belgian Prime Minister, sits down with President Mobutu, he will ask for the back payments. But at the same time he will negotiate another BFrs 400m credit for Zairean purchases of Belgian goods — that happens every year. And he will ask President Mobutu to make private sector investment easier, simply by leaving companies alone and not seeking to plunder them with high taxes.

Zaire absorbs a third of Belgium's aid budget and BFrs 3.6bn will be committed this year and actual payments, taking into account past commitment will come to BFrs 4.4bn.

To what extent President Mobutu will be interested depends at least in part on how he presses well-known Zairean political sensibilities about the freedom of opposition politicians to speak out in Belgium criticising him and everything he stands for.

President Mobutu of Zaire—visiting Belgium today.

Saudi Arabia considers Tornado fighter deal

By Michael Donne, Aerospace Correspondent

SAUDI ARABIA has expressed interest in the possibility of German-Italian Tornado multi-role combat aircraft from the UK, worth over £500m including support costs, but a deal is still some way off completion.

The Saudi interest was first expressed some time ago, but was frustrated because of West German conditions governing the export of military technology. This problem has been resolved in recent months, with a decision that the UK could handle Tornado export queries.

As a result, further talks have been held in recent weeks between British Aerospace and the Saudi Arabian Government. The two are already very close as a result of the substantial military aviation support contracts for the development of the Saudi air force granted to BAe over recent years.

It is understood, however, that other aircraft are also being considered, including the French Dassault-Breguet Mirage 2000 and the McDonnell Douglas F-15 and F/A-18 aircraft. Currently, Saudi preference appears to be for the Tornado.

Spokesmen in both Bonn and Rome yesterday indicated that a deal was possible, but in the UK it was stressed that although there had been discussions, no order was imminent, and that there would have to be much further talking before anything firm emerged.

BL wins small gain from Spain on car shipments

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER has won a small increase in the number of cars it can export to Spain at a reduced rate of duty in the coming year. The scale of the increase has caused deep disappointment both within the BL subsidiary and the UK Government.

Cars imported to Spain attract a duty of 36.7 per cent while Spanish cars entering the Common Market pay only 4.4 per cent. Pressure from the UK Government was mainly responsible for the Spanish agreeing to a quota of 15,000 cars from EEC countries which could be imported at reduced rates of duty in the year from July 1, 1983.

The Spanish authorities have decided to roll forward the quota for another year even though the British pressed hard for an improvement.

Austin Rover benefited from last year's quota to the extent of being able to import 1,997 cars into Spain during 1983-84 at reduced levels of 19 per cent and 25 per cent.

The company's extra allocation for 1984-85 is only 243 cars, most of them in the 1275-1600-cc category, which qualifies for the 19 per cent duty rate.

An Austin Rover spokesman described the allocation as "derisory and unhelpful." The company feels it should have been allocated at least 600 more cars—the number allocated in 1983-84 to Ford of Britain and General Motors in Britain but not taken up.

The Spanish authorities apparently split the total allocation of 15,000 cars equally between the Common Market countries. Fiat also did not use its quota, probably because the Italian group is in dispute with the Spanish Government about the break-up of its relationship with the state-owned Seat company.

Austin Rover's car sales in Spain in 1983-84 rose by about 50 per cent to around 3,000. The UK company believes this illustrates the potential for its cars if the Spanish duty barriers were reduced. Without the barriers Austin Rover estimates it could sell at least 10,000 cars a year in Spain.

Imports of cars from Spain to Britain are currently running at an annual rate of 100,000. In the first half of this year 20,647 Spanish-built Ford Fiestas were registered in the UK (up from 17,172 in the same period of 1983) while sales of Vauxhall Novas made at General Motors' new Spanish facility reached 30,422 compared with 5,038 in the first six months of 1983.

Referring to these statistics, Austin Rover maintained: "We have a case in natural justice for a more generous approach by the Spanish Government."

UK trade minister Mr Paul Channon has also expressed his disappointment that there was no increase in the car quota this year. But he told the House of Commons that the key issue facing the EEC was for it to make sure the duty barriers on all products — not just cars — were speedily reduced after Spain joined the Community and that these conditions were built into the terms of Spain's entry.

Mitsui plans to resume Iran plant construction

BY ROBERT COTTRELL IN TOKYO

MITSUI, THE Japanes trading house, plans to resume construction of its war-damaged petrochemical plant at Bandar Khomeini in southern Iran next month.

If work continues without serious disruption because of the Iran-Iraq war, the plan could be on stream in about three-and-a-half years. The plant is a joint venture between a consortium of Japanese companies led by Mitsui, and the Iranian Government's National Petrochemical Company.

Construction was halted in February by Iraqi bombing, but Iran said last week that it would withold quarterly Y2.6bn (£8m) interest payments due to the Japanese consortium until work resumed.

Japanese officials say that, following the commitment to restart work, the Iranian Government is expected to release an interest payment which fell due at the end of May.

The Petrochemical plant has been much damaged and delayed in recent years by Iran's political turmoil. Basic engineering work began in 1973, but construction was halted by the Iranian Revolution in 1979, and again by the Iran-Iraq war in 1980. Work restarted in July last year, but was stopped in February this year.

The plant had been 85 per cent completed by 1980, but engineers have not yet had a chance fully to assess the extent of recent bomb damage. The plant, comprising an ethylene production centre and 13 downstream facilities, is now likely to cost in excess of $4bn, compared with an originally-budgeted figure of $500.

Iran had agreed last July to fund remaining capital expenditure no the project, while the Japanese consortium agreed to defer until 1987 Iran's share of principal repayments on a Y125bn (£388m) project finance loan, money which the consortium had borrowed from Japanese banks, and then lent on to the Iran-Japan Petrochemical company (IJPC), the joint - venture company responsible for building and operating the bandar khomeini plant.

Doubts raised in Danish car deal

HOPE MOTOR, the Danish manufacturer, which claimed last week to have obtained an order for delivery of 226,000 electrically driven cars to the U.S. over the next decade, maintains that the order is completely genuine, writes Hilary Barnes in Copenhagen. Danish trade observers are now sceptical after having had difficulty obtaining information about the American buyers.

"We have signed an agency agreement tied to delivery of a fixed number of cars," said Mr Dan Wildenradt, Hope's marketing manager.

The agreement was signed last week by Mr Albert Schelman, of Miami, Florida, on behalf of a company called Lectra-Matic Automobile, which is so new that it is not yet officially registered in Florida. It remains unclear who, besides Mr Schelman, is involved in the project to market the Danish cars in the U.S.

Mr Wildenradt said, however, that Hope has the necessary bank guarantees for delivery of the first 1,000 cars in 1985 and guarantees covering the next 5,000 are on the way.

Korf seeks injunction against Kobe Steel

BY PETER BRUCE

KORF ENGINEERING, the Dusseldorf-based steel plant contractor, is seeking injunctions in the Japanese courts in an effort to stop Kobe Steel, one of Japan's biggest steel producers, building part of a steel works in Iran using technology to which Korf claims an exclusive licence.

The dispute between Kobe and Korf, a subsidiary of the big Austrian industrial conglomerate, Voest Alpine, centres on a $182m contract awarded to Kobe in February, by the Iranian authorities, to build an iron-making complex, using direct reduction technology (which simplifies the production of iron by by-passing the blast furnaces) developed by its U.S. subsidiary, Midrex.

Both Midrex and Korf Engineering used to be part of Mr Willy Korf's steel empire and until it collapsed last year, Korf Engineering held licences to use the Midrex direct reduction process in Iran.

Korf Engineering had been negotiating the construction of the plant, at Mobarrakeh in central Iran, for nearly six years when Teheran abruptly cut off negotiations earlier this year, claiming that the West German contractor was not negotiating in good faith, and awarded the contract to Kobe, at a substantially lower price than Korf Engineering had been looking for.

Korf responded by applying for injunctions in Zurich, where Kobe had set up Midrex International to administer the licences. The Zurich district court granted a provisional injunction on February 14 but lifted it, for the Mobarakeh project, on May 9 after finding that the Kobe contract had been signed just before the provisional injunction had been made.

The Zurich ruling did, however uphold Korf Engineering's right to Midrex direct reduction technology in any other projects that might arise in Iran. But the prospects of new orders from Iran for steel plant in the near future are thought to be remote.

Fuji co-operation contract secured by Fokker

By Walter Ellis in Amsterdam

FOKKER, the Dutch aerospace group, hs succeeded in persuading Fuji Heavy Industries of Japan to co-operate with it in the production of the Fokker 50 short-haul airliner. Fuji will produce tail components, starting with 50 rudders and elevators for delivery in April 1985.

The Fuji contract is a triumph for Fokker, which has been anxious to secure Japanese participation in both its new projects, the Fokker 50, a propjet, and the Fokker 100, a jetliner. The Dutch company hopes that involvement by a major Japanese corporation will help sales of the aircraft in Japan.

Last week, Fokker received a major boost to its fortunes with the announcement of a Fl 500m (£117m) launch order for eight Fokker 100s from Swissair, with an option on six more.

The Fokker 100, which is due to make its maiden flight next year, will be powered by two Rolls-Royce Tay jet engines, while the smaller Fokker 50 will use twin, six-bladed engines by Pratt and Whitney.

German helicopters for Swedish army

THE Stockholm Government yesterday signed a DM 68m (£18m) contract to buy 20 anti tank helicopters from the West German aerospace concern Messerschmidt - Bölkow - Blohm (MBB), to enter service with the Swedish army, reports **Rupert Cornwell from Bonn.**

The helicopters, of the BO 105 variety, will be delivered in the year starting December 1986. A further option exists for the supply of BO 105s to the Swedish airforce, but in a "search and rescue" format.

The conclusion of the deal brings to a favourable end for MBB years of competition with the French Ecureuil helicopter for the order.

MPs query ECGD on debt crisis safeguards

BY CHRISTIAN TYLER, TRADE EDITOR

MPs SAY they are worried that Britain's Export Credits Guarantee Department, now running its first cash deficit in 30 years, is not doing enough to guard itself against future losses.

The Department's deficit is reliably understood to have reached over £100m, largely due to the developing world's debt crisis, and is expected to go on rising until the 1985-86 financial year.

In its latest report on the ECGD, published yesterday, the Commons public accounts committee questions whether the Department's general provision against country default is realistic.

For 1982-83, the Department set aside £14.6m against future non-payment of trade debts due to foreign exchange delays. But its exposure in "risky" markets amounted to £16.26bn last December, over half its total exposure.

Noting that the clearing banks had apparently substantially increased their provisions for sovereign debt, the committee says it is "not convinced" that the ECGD's is adequate.

It expresses concern about the high and rising proportion of insurance written on risky markets, and says the Department should not relax efforts to improve its assessment of country, or "political," risk.

It also voices concern about the deficit with the Consolidated Fund, observing that most of the ECGD's assets are overseas, in the form of money owing.

"We trust that ECGD's confidence that interest earnings on these debts will cover the interest arising on Consolidated Fund borrowings and will not prove to have been misplaced," the report says.

In order to ensure Parliamentary control over ECGD expenditure, the committee says, direct recourse to the Fund should be avoided and the finance sought through the annual and supplementary estimates.

Lastly, the committe says there should be "no further delay" in setting up with the Treasury proposed methods of measuring the ECGD's current financial performance and managerial efficiency.

The ECGD's deficit may be climbing even more rapidly than predicted at the time the committee heard evidence in February. That is because of stalled negotiations between Nigeria and the IMF to refinance Nigeria's trade arrears. The ECGD is already having to pay claims from British exporters and faces a possible claims bill of £600-£800m.

The Department would not comment yesterday on specific progress made towards meeting the MPs' criticisms, nor would it reveal the size of its cash deficit. A fuller picture will emerge with publication of the 1983-84 trading results next month.

THE CARIBBEAN COMMUNITY SUMMIT

Trinidad emerges triumphant

BY CANUTE JAMES IN NASSAU, THE BAHAMAS

FOR Mr George Chambers, the Prime Minister of Trinidad and Tobago, last week's four-day Caribbean Community summit was a personal triumph.

At the start of the meeting, Mr Chambers had accused the other 12 members of the community of villifying his country for putting up barriers to community imports. Trinidad has been attempting to stem a drain on hard currency reserves.

When the Trinidadian leader returned home at the weekend, however, he had managed to get from his colleagues an undertaking to start buying more from his country. When there is a sign that this is happening, Mr Chambers agreed, he would start looking at a progressive dismantling of import restrictions.

This brought an anticlimatic end to the issue of protectionism which a fortnight ago, seemed to be threatening the conference and the future of the 11-year-old community.

Any hope of a significant increase in the value of purchases from Trinidad, and in increase in the volume of intra community trade, is unlikely to be realised until the group has found adequate trade credits.

The leaders agreed on a formula for unlocking a $100m (£76m) multilateral trade credit facility, but it will be some time before the region's central banks can put together a joint approach to international institutions to raise long-term credits.

It is unlikely that the value of regional commerce, which slipped by $71m to $464m last year, will reach the $750m target next year.

While the summit argued over protectionism and ways to increase trade, there was a clear decision not to say anything about last October's U.S. invasion of Grenada, a member of the organisation.

The invasion had split the community down the middle, with leaders at one stage saying they would not sit with each other.

After the talks, Mr Forbes Burnham, the President of Guyana, and one of the harsher critics of the invasion, said he still regarded the invasion as "naked aggression," but that any discussion here would not "de-invade" the island.

There was little indication that Sir Lynden Pindling, the Prime Minister of the Bahamas, had obtained significant support in discussions about the security of small states, and which centred on a running battle between the Bahamas and the U.S. over access to offshore banking records.

The U.S. wanted access to get at what it says are people who launder illegally earned funds in Caribbean offshore centres. The Bahamas say this will damage its $1bn earnings from banking.

An attempt by some leaders to change the decision making system in the community also met with failure. Membership and expulsion now require unanimity — a country would have to agree to expel itself from the community.

Mr Burnham, at whom the changes appeared to have been aimed after his criticism of the Grenada invasion, described the failure to change to the voting requirement for expulsion and membership, as being "satisfactory" to his country.

The decision to grant observer status on some community bodies to the Dominican Republic and Haiti — Surinam already enjoys observer status —promises a significant breakthrough in efforts to expand the community.

Mr George Chambers—he headed off a major controversy on trade barriers.

FT LAW REPORTS

YOUNG v PHILLIPS (INSPECTOR OF TAXES)
Chancery Division: Mr Justice Nicholls: July 4 1984

Tax not avoided by the sale of documents

RENOUNCEABLE LETTERS of allotment of shares are situated in hte UK if the rights arising under them are enforceable in the UK; and accordingly, although such letters are physically sold in the Channel Islands, the sale is a disposal of assets situated within the UK for capital gains tax purposes.

Mr Justice Nicholls so held when dismissing appeals by two brothers, Mr David Young and Mr Ian Young, owners of Rapid Results College Limited and associated companies, from the Special Commissioners' decisions that they were liable to capital gains tax.

Section 20(7) of the Finance Act 1965 (now section 14(1) of the Capital Gains Tax Act 1979) provides: "(7) In the case of individuals resident . . . but not domiciled in the UK, capital gains tax shall not be charged in respect of gains accruing to them from the disposal of assets situated outside the UK . . ."

* * *

HIS LORDSHIP said that at the beginning of 1979 the two brothers were directors of and held all the issued share capital of three private UK companies. The issued share capital of each company was small.

The brothers lived in the UK, but were domiciled in South Africa. One of them was concerned about the impact of capital transfer tax on the companies. He was professionally advised to export the substance of his interest in the companies to the Channel Islands.

A direct sale of shares to a Channel Island company would have given rise to immediate and substantial capital gains tax. The advisers accordingly recommended a scheme designed to avoid such tax.

The scheme involved a number of steps. Two investment companies were incorporated in Jersey. The authorised share capital of the UK companies was increased by a substantial number of new preferred shares. Those were allotted to the brothers, who were issued with renounceable letters of allotment.

The brothers became directors of the Jersey companies. On March 19 1979 they went to Sark with the letters of allotment. There they renounced them and delivered them to the Jersey companies.

Payment of the purchase price was made by bank transfer on two identical bank accounts in Sark opened and closed by the brothers on March 19.

Each account opened with a credit of £682,108 borrowed for the day from Midland Bank Trust (Jersey). The same sum was then debited in favour of the Jersey companies in payment for shares in those companies. It was then re-credited, as payment by the Jersey companies for shares in the UK companies. Then it was repaid to Midland.

On March 23 the Jersey companies became the registered shareholders of the UK company in respect of the preferred ordinary shares. It was evident from the total sum of £1.36m paid to the Jersey companies for their shares that the brothers paid for all the shares in those companies.

In May 1983 the Special Commissioners dismissed the brothers' appeals against assessments to capital gains tax. The present appeals were from those decisions.

The brothers' case was that section 20(7) of the Finance Act 1965 applied and that since no gains were received in the UK, no tax liability arose.

It was common ground that both brothers were resident in the UK but domiciled in South Africa, so the only issues were as to identification of the assets disposed of and ascertainment of their situation at time of disposal.

The Crown said that the assets disposed of were shares. However, if they were not shares but were rights under the letters of allotment, it said, those rights were choses in action situated in the UK, in that choses in action were generally situated in the country where they were properly recoverable or could be enforced.

The brothers said that though registered shares had their *situs* in the place where the register was kept, they were to be distinguished from a right to have shares registered in one's came.

They said that their status as as allotees of the new shares was that they owned the right to have the shares issued to them. The property in that right, they said, was situated where the duly renounced letters of allotment were situated.

Assuming in favour of the brothers that the assets disposed of comprised not the new shares, but the right to the new shares, that right was situated in the UK on March 19 when the letters of allotment were handed over in Sark.

It was apparent from *Bonwens (1839) 4 M&W 171* that for an instrument to be treated as analagous to a chattel for *situs* purposes what was required was that in practice its value for money could be realised by sale in the country where it was found. That approach seemed to be supported by *Stern [1896] 1 QB 211, 218 Brookfield [1948] 4 DLR 210* and *Williams [1942] AC 541, 560.*

There were no grounds for concluding that in practice the value of the letters of allotment could have been realised by a sale for money wherever they were to be found. There was no evidence that a market existed in letters of allotment of shares in private companies.

Having regard to the fact that shares in private companies might not be the subject of a public issue, the Special Commissioners were not prepared to assume the existence of such a market.

That approach was correct. It was to be noted that the "sales" of the letters of allotment in Sark were not arm's length transactions, but were made to purchasers wholly under the control of the vendors and had been pre-arranged even before the letters were issued.

The letters did not fall to be treated as saleable chattels realisable where they might be found from time to time. They were documents evidencing rights against UK companies. Those rights were enforceable in the UK.

That conclusion sufficed to dispose of the appeals. The Crown, however, advanced further contentions based on the House of Lords decision in *Furniss v Dawson [1984] 2 WLR 22.*

There Lord Brightman referred to two limitations on the *Ramsay* principle ["viewed as a whole, a composite step may produce an effect which brings it within a fiscal provision"].

First, said Lord Brightman, there must be a pre-ordained series of transactions or one single composite transaction, which might or might not include the achievement of a legitimate business end. Secondly, there must be steps inserted which had no business purpose, apart from tax avoidance.

He concluded that "if those two ingredients exist, the inserted steps are to be disregarded for fiscal purposes. The court must then look at the end result."

In the present case the first limitation was satisfied. As to the second, the self-cancelling transactions carried out on Sark on March 19 could not be regarded as anything other than steps inserted for no business purpose apart from tax avoidance.

If that was correct, then, applying the *Ramsay* principle, the "end result" of the transactions was that the brothers still owned all their original shareholdings but, by their direction, the new shares in the UK companies had been issued to the Jersey companies in exchange for shares in the Jersey companies.

The Crown contended that the effect of the scheme was that value passed out of the original shareholdings in the UK companies into the new shares, and that the value-shifting provisions in paragraph 15(2) of Schedule 7 to the 1965 Act applied.

The effect of that paragraph, if applicable, would be that the brothers would be treated as having disposed of their shareholdings in the UK companies. But regard must be had to the relieving provisions in paragraphs 6 and 4 of the Schedule, which were intended to facilitate company reorganisations and amalgamations.

Those provisions were *prima facie* applicable. However, section 40(2) of the Finance Act 1977 provided that paragraph 6 should not apply to any issue of shares in exchange for shares in another company unless the exchange was "for *bona fide* commercial reasons and does not form part of a scheme . . . of which the main purpose, or one of the main purposes, is avoidance of liability to capital gains tax or corporation tax."

The purpose for which the Jersey companies were set up was to avoid capital transfer tax, not capital gains tax or corporation tax. But the issue of the new UK shares and of shares in the Jersey companies was part of a scheme designed to avoid the capital gains tax which would have arisen had the brothers made a direct sale.

One of the main purposes of the share issue was "avoidance of liability to capital gains tax." Moreover, the facts were not consistent with the transactions having been effected "for *bona fide* commercial reasons." Section 40(2) therefore had the effect of negating the application of the roll-over relief provisions contained in paragraphs 6 and 4(2) of the Schedule.

Hence, had the conclusion been that the assets disposed of were situated outside the UK at time of disposal, the tax claim based on paragraph 15(2) would have succeeded.

The Crown's alternative argument based on *Ramsay* was that disposal of the letters of allotment did not occur at a particular time, but was a process which began in the UK prior to the brothers' visit to Sark. Taking the letters to Sark was part of that process.

That was not accepted. The *Ramsay* principle was concerned with looking at the end result of a composite transaction, disregarding the artificially inserted steps.

Appeals dismissed.

For the brothers: Stephen Oliver QC and Oliver Weaver (Sowman Pinks and Co.).

For the Crown: Robert Carnwath (Inland Revenue solicitor).

By Rachel Davies
Barrister

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Company Notices

NOTICE TO HOLDERS OF
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AND
US$100,000,000 15¼% Debentures due 1989
ISSUED BY
NATOMAS OVERSEAS FINANCE N.V.
Copies of the financial statements for 1983 and copies of the consolidated financial statements for 1983 of the parent, Natomas Company, are now available and may be obtained from:
A. H. WELLS
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10, St. James's Street, London SW1A 1EF

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In the Annual General Meeting of Shareholders, held on July 10, 1984 a dividend of U.S.$0.15 per share has been declared for the year ended December 31, 1983, payable as per July 16, 1984 to holders of shares outstanding as per June 30, 1984. Holders of bearer shares are entitled to receive the dividend against presentation of Coupon No 16 with any of the hereafter mentioned agent banks

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17 Bridge Street
Sydney, Australia.
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Pierson, Heldring and Pierson N.V.
Herengracht 214
Amsterdam, The Netherlands.
Rothschild Bank A.G.
Zollikerstrasse 181
8034 Zurich, Switzerland.
N. M. Rothschild and Sons Ltd.
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St. Swithin's Lane
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INTIMIS MANAGEMENT COMPANY N.V.

National Westminster Bank PLC
Notice to Preference Shareholders
Notice is hereby given that a dividend of 2.45p per share for the half-year ended 30 June 1984 will be paid on 31 August 1984 to holders of the Cumulative Preference Shares registered in the books of the Company at the close of business on 3 August 1984.
E B CULLEN, Secretary
41 Lothbury, London EC2P 2EP
11 July 1984

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

S. G. WARBURG & CO. LTD., announce that a dividend of Yen 3.00 per share has been paid to shareholders on the books of the above Company as at 31st March, 1984 in respect of the six month period ended on that date.
Holders of Bearer Depositary Receipts issued by S. G. Warburg & Co. Ltd., may present Coupon No. 3 for payment forthwith at their Bond Department, 33, King William Street, London EC4R 9AS, or at Banque Internationale a Luxembourg, 2, Boulevard Royal, Luxembourg, subject to deduction of Japanese Withholding Tax and United Kingdom Tax (if any) at the appropriate rates. Details of as deduction can be obtained from Paying Agents.
S. G. WARBURG & CO LTD
As Depositary
11th July, 1984

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
US$55,000,000 FLOATING RATE SERIAL NOTES DUE 1989
In accordance with the provisions of the Reference Agency Agreement between Banque Exterieure d'Algerie and Citibank, N.A., dated as of June 8, 1979, notice is hereby given that the Rate of Interest has been fixed at 13 1/16% and that the Coupon Amount payable on January 11, 1985 against Coupon No 11 will be US$524.69 and that such amount has been computed on the actual number of days elapsed (184) divided by 360.
As a result of the principal repayment of $500 per Note due July 11, 1984 pursuant to condition 1 of the Notes, the value of each Note will accordingly be reduced to $7,500.00.
CITIBANK, N.A., London
CSSI Dept
July 11, 1984
Agent Bank

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—London, 1, Angel Court
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—Paris, 14, Place Vendome
—Frankfurt, 46, Mainzer Landstrasse
—KREDIETBANK S.A., Boulevard Royal 43, Luxembourg

BLUE CIRCLE INDUSTRIES PLC
NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER
NOTICE IS HEREBY GIVEN that a Final Dividend of 13p per Ordinary Share of £1 for the year ended 31st December 1983 will be paid on and after Monday 2nd July 1984 to holders of Bearer Warrants upon presentation of Coupons No. 47. Warrant holders who are employees of Blue Circle Industries PLC or any of its subsidiaries should follow the instructions to be displayed on company notice boards; warrant holders who are not employees should present their Coupons No. 47 to the Company at the address shown below on or after 2nd July 1984.
By Order of the Board
TREVOR KEIGHLEY,
Secretary.
Portland House,
Stag Place,
London, SW1E 5BJ.
27th June 1984

PETROLEOS MEXICANOS
US$75,000,000
FLOATING RATE NOTES DUE 1988
NOTICE IS HEREBY GIVEN that the rate of interest for the period 11th July, 1984 to 11th January, 1985 has been fixed at 13¼ per cent per annum.
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U.S.$100,000,000 FLOATING RATE NOTES 1978-85-93
In accordance with the terms and conditions of the above mentioned Floating Rate Notes the interest rate applicable for the period from 9th July, 1984 to 9th January, 1985 (184 days) has been fixed at 14 per cent per annum.
Interest payable on each Note of U.S.$1,000 on January 9th, 1985 against Coupon No. 14 will be U.S.$71.56
BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Fiscal Agent

MISR FINANCE (CAYMAN) LIMITED
US$45,000,000 GUARANTEED FLOATING RATE SERIAL NOTES DUE 1989
Notice is hereby given that the Rate of Interest has been fixed at 13⅛% p.a. and that the Interest Payable on the relevant Interest Payment Date January 11, 1985 against Coupon No. 2 will be US$525.51
By Citibank, N.A.,
CSSI Dept
July 11, 1984
Reference Agent

NOTICE OF PURCHASE
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NOTICE IS HEREBY GIVEN to bondholders that Union Bank of Switzerland (Securities) Limited, London as Purchase Agent for account of such Bank, has not purchased any of the above Notes during 15th August 1983 and 15th July 1984.
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EUROPEAN INVESTMENT BANK
3rd August 1984

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UK NEWS

RTZ buys up further 15.1% of Enterprise

BY IAN HARGREAVES

RIO TINTO-ZINC, the mining and minerals group, yesterday picked up an additional 15.1 per cent of the newly-privatised Enterprise Oil, paying a lower price per share than in its dawn raid on Enterprise last week.

RTZ, which now owns 29.8 per cent of Enterprise, paid 101p each for 32m partly-paid Enterprise shares. This compares with the 105p paid in the dawn raid for 4.7 per cent of Enterprise and the 100p at which it obtained its initial 10 per cent stake in the Government's auction two weeks ago.

Mr William Bell, Enterprise chairman, will meet Sir Alistair Frame, the chief executive of RTZ, this afternoon to discuss the implications of the RTZ shareholding.

RTZ was tight-lipped about its plans last night, saying only that it did not intend to acquire any further ordinary shares in Enterprise in the foreseable future.

If it did so it would be required under City of London takeover rules to make a bid for the entire company, knowing that the Government would then certainly use its golden share to prevent it taking active control.

RTZ said it noted the Government's desire to see Enterprise remain an independent company at this stage of its development. "The strength and support RTZ can provide to the independent management of Enterprise Oil will benefit all the company's shareholders. RTZ looks forward to a constructive relationship with Enterprise Oil," it said.

One immediate issue to arise is the question of RTZ representation on the Enterprise Board, which Enterprise will resist on the grounds that it will create conflict of interest.

But the substantive issue which Sir Alistair and Mr Bell must start to address is whether some combination of assets of RTZ Oil and Gas and Enterprise, perhaps in tandem with other deals involving RTZ's North Sea partners, can be made to make practical sense in terms of the tax and production profile of each company.

Scargill prepared to defy High Court

By John Lloyd

MR ARTHUR SCARGILL, president of the National Union of Mineworkers (NUM), said yesterday that a special union conference would be held today even if banned by the High Court.

Sir Robert Megarry, vice-chancellor of the High Court, said yesterday he would consider a ban if an area council meeting of the union in Nottinghamshire, scheduled for last Monday but disrupted by pickets, failed to take place by 3pm yesterday. The deadline passed without such a meeting.

The area council is dominated by miners who have continued to work during the pit strikes.

The special two-day conference called by the union's national executive is expected to endorse a hard-line resolution agreed unanimously by the executive. The resolution makes it clear that the union's leadership is not prepared to move publicly in its complete opposition to pits being closed for economic reasons. Mr Scargill said yesterday that the National Coal Board was now running scared.

Four charged with kidnapping exiled Nigerian politician

BY ANDREW TAYLOR AND QUENTIN PEEL

THREE ISRAELI nationals and a Nigerian diplomat will appear at Lambeth Magistrates Court in London this morning charged with offences relating to the abduction of Alhaji Umaru Dikko, a fugitive Nigerian politician.

Detectives at New Scotland Yard described the four as: Mohammed Yusufu, a 40-year old diplomat of Mushin, Lagos, Nigeria; Alexander Barak, 27, an Israeli businessman of Brenner St, Netanyia, Israel; Lev-Arie Shapiro, a 43-year old Israeli doctor, of Pinkas St, Petach-Tikva, Israel; and Felix Messoud Abutbul, a 31-year old shopkeeper of Harav Kook, Netanyia, Israel.

They are charged with stealing and unlawfully taking away against his will Alhaji Umaru Dikko from Porchester Terrace, London, on July 4.

The four are additionally charged with unlawfully administering to Dikko four stupefying drugs with intent to enable themselves and others to commit an indictable offence of kidnapping.

Although Mohammed Yusufu is described as a diplomat, he is not on the diplomatic list of the Nigerian High Commission in London, and therefore does not enjoy any diplomatic status in London under the Geneva convention, according to British officials.

Earlier Maj Gen Haldu Hananiya, the Nigerian High Commissioner, had a further meeting with Sir Anthony Acland, Permanent Under Secretary at the Foreign Office, but officials refused to confirm or deny whether he had given an answer to Britain's request to interview a number of London-based Nigerian diplomats.

Sir Anthony had asked for a very early reply to the request, which does not require any formal waiver of diplomatic immunity. Only if charges were to be pressed against the diplomats would the Nigerian Government have to be asked for such a waiver.

Although the Nigerian Government appears to be seeking to play down the whole Dikko affair, in which it denies any involvement, the Nigerian media has published strongly anti-British commentaries.

The government-owned Daily Times newspaper said it would be hard for Britain to convince Nigerians of its friendship while harbouring exiles threatening war against the country.

Thatcher brake on council spending

By Peter Riddell, Political Editor

TIGHT CURBS on local authority expenditure in the present financial year will be announced by the Government within the next 10 days after discussions last night by a Cabinet committee chaired by Mrs Margaret Thatcher, Prime Minister.

This follows overspending in the financial year which ended last March and signs of a substantial overshoot over target levels in the current 1984/85 financial year.

Proposals for a moratorium on a wide range of local authority capital spending projects have been proposed to ministers.

There is no question, however, of any mini-budget such as the general cash limit squeeze announced last July, but the Treasury is pressing for tough action specifically against local authority overspending.

The main debate is about how far such action should be selective rather than a general moratorium in view of the controversy provoked by 1980 curbs upon housing capital projects.

Tory MPs criticise Government over Fontainebleau deal

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT yesterday faced strong criticism from a House of Commons committee of MPs over the EEC budget deal agreed at Fontainebleau, France, a fortnight ago.

The criticisms, from the Treasury and Civil Service committee, came a few hours before a Commons debate on the EEC when Sir Geoffrey Howe, the Foreign Secretary, was forced on to the defensive by Labour and some vocal Tory backbenchers.

The committee, on which the Tories are in a 7-4 majority, argued that the Fontainebleau agreement "cannot be regarded as proffering a lasting solution" in the absence of agreement on budgetary discipline and effective controls on agricultural spending.

Over what the report describes as "probably the key component of any lasting settlement, budgetary control," the MPs maintain that "little or no substantive progress was made on the position agreed earlier in the year with Brussels."

The committee was critical of the arguments made by the Treasury about improvements in budgetary discipline and the proposed increase in "own resources," revenues related to a notional value-added tax levy paid directly to the Community.

Mr Terence Higgins, a Conservative MP and chairman of the committee, argued during the debate that no case had been made out for an increase in own resources.

Sir Geoffrey tried to provide reassurance to the Tory doubters by stressing that the Government had no intention of bringing forward the necessary legislation to increase own resources until the finance ministers of the EEC had agreed the precise measures to guarantee the effective implementation of budgetary discipline.

The Foreign Secretary claimed that a fundamental change had occurred in attitudes in the EEC. He argued that the new budgetary system would be a lasting one and could not be changed without the approval of the British Government and Parliament.

Sir Geoffrey claimed that important progress had been made in reforming the Common Agricultural Policy. He said that "more tough measures on cereal prices, on wine and on olive oil will have to follow."

Sea trade shifts to ports on east coast

BY DAVID BRINDLE, INDUSTRIAL STAFF

THE PATTERN and nature of Britain's seaborne trade has changed since the UK's last national dock strike in 1972.

There has been a shift of emphasis from the ports on the west coast to those on the east coast and in the Channel area.

This shift has been concurrent with – and has to a great extent produced – a growth in the importance of ports not included in the statutory dock labour scheme and, therefore, not certain to back a strike over the scheme.

However, the significance of these changes should not be over estimated. Of Britain's top 10 ports (measured in terms of the volume of non-fuel foreign trade last year) only three are non-scheme.

Further, the changes in the pattern of trade were to a considerable degree already evident in 1972 and did not substantially weaken the effect of the dockers' action.

Employers, therefore, are not convinced by arguments that developments in the ports in the past 12 years spell automatic defeat for the dockers. Rather, their view is that while Britain's trade will not be strangled, it will be struggling for breath in the event of a lengthy stoppage.

The most recent comprehensive study of the ports industry was carried out for the British Ports Association by Mr Philip Oxley and Mr Tom Hannan of the Centre for Transport Studies at Cranfield Institute of Technology. It was published in 1982.

This study of the period from 1965 to 1980 pointed out the three essential changes in British seaborne trade that lay at the root of the west-east and scheme/non-scheme shifts in the ports:

- A steep increase in "unitisation" of cargo, chiefly through the use of containers and roll-on roll-off ferries. It was estimated that 80 per cent of general cargo and 12 per cent of semi-bulk shipments were unitised by 1980.
- A move away from deep-sea trade with the British Commonwealth to trade with the rest of Europe. In 1965, 56 per cent of foreign trade was with the Commonwealth and 13.5 per cent with near-sea countries. In 1980, the proportions were 41 per cent and 30 per cent respectively.
- An increase in "one-port" traffic, which represented the largest proportionate growth of any sector of trade and which was accounted for almost entirely by North Sea oil shipments into port from the oilfields.

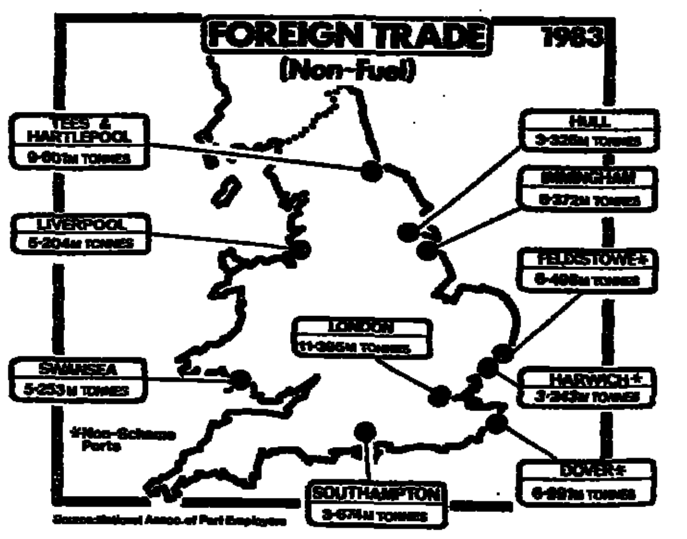
Taken together, these factors brought business to ports in the South-east and South-west of England, Yorkshire and Humberside, the east coast of Scotland and, especially, East Anglia including the Wash. They took trade away from ports in Wales, the North-west of England and the west coast of Scotland.

The first two of these trends were, however, already clear in 1972. Container ships dominated the Atlantic trade, had made big inroads on the Far East routes and had started to appear on Australian runs. Commonwealth trade was falling.

The impact on dock labour was also already apparent by 1972. The number of registered dockers fell from 62,000 in 1966 to 43,500 in 1971.

Employers, drawing comparisons yesterday between 1972 and 1984 were of the view that the ports industry remained today only slightly less vulnerable to a solid strike by scheme port dockers. Much, it was felt, would depend on whether Felixstowe and Harwich men, on the east coast, stayed at work.

Crucial test, Page 11



Lloyd's will not extend deadlines on audit

BY JOHN MOORE, CITY CORRESPONDENT

LLOYD'S underwriting members seeking to recover more than £38m of their missing funds will not be granted a further extension to meet Lloyd's audit deadlines, Mr Ian Hay Davison, the market's chief executive said yesterday.

He stated Lloyd's position as a group of Lloyd's members are seeking an extension on the deadline for Lloyd's solvency test, which has been set for July 21. So far the members have been given a seven-week extension on the solvency deadline to consider plans in which over £38m of their money will be eventually returned to them.

The plans form part of an "offer" by Minet Holdings, and Alexander & Alexander Services, in which the members are to receive funds which have been allegedly misappropriated by former executives of the Minet Holdings group.

More than 1,000 underwriting members, whose funds have been allegedly misappropriated, face losses through trading in Lloyd's of £37m and are relying on the recovery of the missing money to meet underwriting losses.

Lloyd's solvency test is looming. In that test underwriting members have to satisfy Lloyd's that they have sufficient funds to meet the underwriting losses. Individual members of Lloyd's, affected by the latest problem, face losses of up to £250,000 each.

books

FOR THE BUSINESSMAN

WORKING FOR U.S. COMPANIES

The Yumpy and Pumpy corporate credo

The 100 Best Companies to Work for in America
by Robert Levering, Milton Moskowitz and Michael Katz. Addison—Wesley Publishing Co. $17.95. 372 pages

IF THE technology of extruded pet foods turns you on, go to work for Ralston Purina. "It's on the cutting edge." If, on the other hand, you would be more excited by the prospect of the best free lunch in Milwaukee, then the Northwestern Mutual Life Insurance Company is the employer for you. It boasts a four star office canteen.

These are among the many gems to be found in The 100 Best Companies to Work For in America, which is really nothing more than a marvellous collection of business trivia. It won't be much help to job hunters, since it is more concerned with *fashionable* matters of corporate culture than with humdrum details about pension arrangements or salary structures. Instead, it gives a new perspective on successful American businesses.

First it shows how they would like to be seen by potential employees. And then the book also suggests how such companies are in turn likely to be valued by the YUMPYs (young upwardly mobile persons) and perhaps even the PUMPYs (potentially upwardly mobile persons) at whom the authors are presumably aiming.

One rather terrible example of all this is the corporate credo. It seems that hosts of U.S. companies feel obliged to string together a list of eye wateringly awful platitudes — of the "We believe in the dignity of the individual" type —in order to inspire and guide their workforce. Apple, Borg Warner, Dana Corporation, Marion Labs and Rolm Corporation are among the many otherwise rational organisations which engage in this practice.

Another feature is the number of attractive employers dominated by an individual or a family, such as Control Data, Trammell Crow or Atlantic Richfield. And it is not only this category of company which emphasises the family values of the organisation.

Strong emphasis on team spirit

According to the authors, the first characteristic of a good employer besides the pay and benefits offered is that it "Makes people feel that they are part of a team or, in some cases, a family."

A number of companies go further than this in their bid to capture the hearts of their workforce. A former president of Armstrong World Industries, the giant flooring and furniture manufacturer, admits that his company "tends to submerge the individual personality and develop the corporate personality." Or, in the words of the man from McDonald's (which actually does not make the top 100 because of the way it treats its low paid workers) "First you have to get McDonaldised. They take all the blood out of your veins and put ketchup in them."

It all sounds rather like those popular books on Japanese management which jam the discount book stores. Unsurprisingly, Nissan Motor is the one foreign-owned company on the *list*.

For the British reader, it is revealing that the authors pay almost no attention to the holiday allowances on offer. U.S. companies are notoriously mean about time off: at Eric Insurance, for one, you have to work for 10 years before you qualify for a three-week annual vacation *and* you have to work in Erie, Pa. Amazingly, it still *gets 200 job applications a* month.

THE TOP TEN COMPANIES

Bell Labs
Trammell Crow
Delta Air Lines
Golden Sachs
Hallmark Cards
Hewlett-Packard
IBM
Pitney Bowes
Northwestern Mutual Life
Time Inc.

PUMPYs evidently have their minds on higher things than the seaside. Physical fitness, for instance. If you want to become immensely rich and avoid fat people, become a partner in Trammell Crow. One senior executive estimates that 90 per cent of his colleagues are joggers. "You won't find any overweight people here," he observes.

At Disney you can get fired for "moral turpitude," and loyalty counts for a lot as well in some companies on the list. As an extreme example, Mr Tommy Lasorda—the manager of the Los Angeles Dodgers—wants to go on working for the company throughout eternity. "When I die," he says, "I want the Dodgers' schedule put on this tombstone. When people are in the cemetery visiting their loved ones, they will say, 'Let's go to Lasorda's grave and find out if the Dodgers are home or away'."

RICHARD LAMBERT

HOW COMPANIES OPERATE IN SOCIETY

A need to rethink basic concepts

Corporate Governance
by R. I. Tricker. Gower. £17.50. 312 pages

THE LIMITED liability company has proved to be a powerful force for economic progress over the past century or so, but despite regular Companies Acts the legal concept has begun to lag rather seriously behind the practical realities.

Thus the law treats shareholders as being all-powerful, although in practice in large public companies they may be rather weak and ineffectual relative to the management.

Typically, large modern companies set up chains of servile subsidiaries, which have to go through all the rigmarole of board meetings and the filing of "true and fair" accounts even though it serves no real practical purpose to regard them as independent entities.

Alternatively, there are large and quite well-defined trading divisions of major companies which have no legal status at all.

Some argue that the concept of the company as a purely capitalist construction is simply out of date. There has long been a pluralistic tradition on the Continent of Europe, where in Germany, for instance, there is an elaborate system of two-tier boards of directors and the company has been viewed as something more akin to a joint relationship between labour and capital.

A development of this is the theory of multiple "stakeholders" whereby a number of separate interests are deemed to be owed a commitment by the company, which is in some way responsible to them jointly. They include shareholders, employees, customers, governments and perhaps more.

In Britain this theory has failed to attain any legal force, except to the extent that the 1980 Companies Act insisted, in a vague and unspecific way, that companies must take workers' interests "into account."

Bob Tricker headed the Corporate Policy Group at Nuffield College, Oxford, which was established in 1979, and this book is based upon five years' work.

Two strands have emerged from the Group's studies. One is that there are opportunities to improve board level effectiveness. The other is that there are challenges to the way in which business entities operate in society, and consequently there is a need to rethink the underlying conceptual framework.

The book successfully manages to clear away some of the conceptual fog by classifying companies in a more realistic way than has been recognised by company law. Four types emerge, starting with the proprietary company (dubbed PTY) which is identified with a particular individual or, perhas, family. A private company (PTE) *is rather more highly* structured, with a clear divorce between ownership and management.

The public company (PLC) is the familiar type of enterprise with substantial outside investment. There is also the subordinate (SUB) company where power devolves to an ultimate parent, perhaps through several layers of legal ownership.

Bob Tricker argues, rightly, that such distinct types of enterprise should not be treated so similarly under the law. For instance, parent companies should not be allowed to exploit the limited liability of their subsidiaries (in practice, of course, they run into serious flak when they try to do so).

His recommendations on governance, however, are much less easy to accept. Thus he argues that PLCs should have governing bodies of independent governors who would relate in a rather complex way to the boards of directors and the managements. The governors would be intended to impose some of the direction which public shareholders fail to apply in modern circumstances. But who they would be, and the nature of their motivation, are not made very clear.

The key issue is whether governance is a specific role which can be usefully separated from management (and, indeed, ownership).

Unfortunately Mr Tricker seems to get bogged down with a kind of Wise Men solution, and he is not particularly clear about their terms of reference; they would not be concerned with employee rights, which would be a "separate issue," but there is a clash here with European Community thinking, and governors would be advised to "consider whether there are practices they would like to adopt which would be helpful to relationships with such other interests."

Fundamentally, Bob Tricker does not favour the continental approach. British flexibility should be better for encouraging business initiative but corporate effectiveness, he admits, cannot be imposed by statute.

BARRY RILEY

Alas, no magic answers

Supermanaging
by Arnold Brown and Edith Weiner. McGraw Hill, £14.75. 283 *pages*

THIS IS one of those peculiarly American books which promises so much, but delivers disappointingly little.

Its subtitle—How to Harness Change for Personal and Organisational Success—is nothing if not ambitious. Sadly, but perhaps predictably, the reader is not going to find here any magic answers to the problem of how to deal with what the authors call the present "tidal wave of change."

Rather he or she is treated to a quick run through the way American society is changing, peppered with more or less interesting examples culled from a range of magazines and newspapers.

The basic message of the book is elaborated so *often* that eventually it encourages a certain ennui. It is, in essence, that *today's manager* cannot afford to take anything for granted and must start from the assumption that *everything* is in flux.

The book is written in the best Dale Carnegie "anything is possible if you only have the will" style of so many of these books. But the problem is that *constant diagnosis of problems* is no substitute for solutions.

The book's 30 chapters embrace everything from the growth of locomotive technologies (bioengineering, computers, communications and materials science) to interdependence (dynamic systems have complicated feedback loops).

Each chapter is neatly broken up into sections with "read me" headlines (Let It All Hang Out, Intergenerational Conflict, The System is the Problem, etc) Presumably this makes it easier to dip in and out of the *book. Unfortunately, it also* means that none of the vast range of issues is treated in much depth.

More seriously there are disappointingly few examples of how *other* managers have managed change. Unlike, say, In Search of Excellence, there are comparatively few examples of people or companies who have coped with rapid change well (or badly). That would have been interesting.

DAVID BELL

INFLATION ACCOUNTING

Witty but over-simplified

On a Cloth Untrue. Inflation Accounting: The Way Forward
by D. R. Myddelton. Woodhead-Faulkner, £14.95. 133 pages.

PROFESSOR David Myddelton of the Cranfield School of Management has an easy prose style that many journalists might covet; by the admittedly modest standards of accountancy text-books he is positively riveting.

The advantage of this is that readers with the vaguest interest in either accounting or inflation are likely to finish Professor Myddelton's new book. The disadvantage is that they may end up believing it.

The problem is that the measurement of business income is not as simple as Professor Myddelton pretends. He writes as though the only serious shortcomings of conventional accounts is their failure to compensate for changes in the purchasing power of money, or for "currency debasement" as he prefers to call it.

That shortcoming is indeed serious and it is one that the Accounting Standards Committee has lamentably ignored for more than a decade. Professor Myddelton rightly pours scorn on the existing, if lame duck, "inflation accounting" standard, SSAP 16, which assumes that only the *specific* price changes experienced by individual companies are of significance.

This attitude is the legacy of the government-appointed Sandilands committee that ruled in 1975, to everybody's surprise, that inflation did not exist.

Constant purchasing power (CPP) accounting, the system staunchly defended in On a Cloth Untrue (a quotation, incidentally, from The Mikado), corrects for the fact that, when prices are rising, money is an unreliable unit of account. Just as one should not add pounds and dollars without first translating them into common currency, so one should not add pounds of *different dates* without first translating them into units of common purchasing power.

On this, most modern theorists are likely to support Professor Myddelton: the financial items in accounts need to be adjusted for changes in money's purchasing power.

But they will disagree strongly when Professor Myddelton argues that such indexation is appropriate also for the real assets recorded in accounts — plant, machinery and inventories, for example. It is simply not true that the current value of real assets is their original acquisition costs indexed for general inflation in the interim.

The values of individual assets may rise at a different rate to that of prices generally (indeed they may fall) and Professor Myddelton will misstate real profitability if he assumes to the contrary.

CPP, sadly perhaps, is likely to attract few supporters. The Government will argue that Chancellor Lawson will soon achieve price stability and that adoption of CPP would be a vote of no confidence in him. Industry, chastened by SSAP 16, will say it is quite happy with ordinary accounts. Academics will say there is no escaping the need for current valuations of real assets.

All this, though, is no reason to ignore Professor Myddelton's witty book. He offers some new insights and provides a scathing critique of the "entity" conception of the firm that underlines pure replacement cost accounting.

Time and again, *however*, readers will be nonplussed by the ferocity of Professor Myddelton's attacks on his critics. Such readers would be right to assume that the world is not as black and white as Professor Myddelton would have us believe.

MICHAEL PROWSE

BOOKS 2

COMPANY UPS AND DOWNS

Wide variety of turnarounds

Corporate Recovery by Stuart Slatter. Penguin Education, £6.95. 429 pages

MR SLATTER has written a thorough and perceptive instruction manual for the company executive with a business which is still on the road but showing signs of wear and tear. The general analysis of decline and recovery is supported by a series of case studies which, besides illustrating how often management has missed a problem staring it straight in the face, finds a fairly consistent pattern in the handling of a wide variety of corporate turnarounds.

The bulk of Mr Slatter's research has been concentrated on turnarounds in the mid-1970s which means that little attention is devoted to the casualties of the last recession. Such notable examples as Courtaulds and Weir Group, among the success stories, and Stone-Platt and virtually the entire UK toy industry, among the failures, receive barely a mention.

To the extent that management's approach to turning round companies has remained consistent throughout the last decade, this may hardly matter. Cost elimination, assets disposals and improved financial reporting have been in the corporate doctor's bag for as long as that profession has been at work.

Yet the financial and industrial environment changed markedly between the recessions of the mid-1970s and of the early 1980s. The more active stance of the institutions and the increasing consultative role of the Bank of England have had a clear influence on the turnaround process.

So, too, has the industrial relations climate, permitting often astonishing reductions in labour costs with the co-operation of trade unions, and the more imaginative approach of the banks, both merchant and commercial.

Moreover, Mr Slatter does not really address the question of whether corporate recovery would be assisted, in extreme cases, by an intermediate financial status, in which a company continues to trade with protection from its creditors, as is possible in the U.S. and West Germany.

As an analysis of the internal ingredients of the turnaround, however, the book often makes fascinating reading. Mr Slatter has analysed 40 UK recovery situations in depth and has discovered perhaps unsurprisingly, that the single most significant causal factor in decline is lack of financial control, present in 30 cases.

His conclusions inevitably err towards the subjective — the second most significant causal factor by a wide margin is the inadequacy of a chief executive, a matter on which opinions are bound to differ.

Mr Slatter made the encouraging discovery that three quarters of the companies in his sample managed an effective recovery.

JOHN MAKINSON

INCOMES POLICY

Impossible conundrum for unions

Wage Restraint by Consensus: Britain's Search For An Incomes Policy Agreement, 1965-79 by Warren H. Fishbein. Routledge and Kegan Paul, £20.00, 295 pages

APART FROM the rather scholastic debate before the last election as to whether the Labour Party's alternative economic strategy did or did not involve a formal incomes policy—the concept has been virtually banished from public debate since 1979.

The Conservative Government has been content to allow pay to be determined by collective bargaining in the private sector; cash limits and industrial muscle in the public sector and 3.5m unemployed looming over both.

With wage rises now consistently pushing up to two or two and a half per cent above the inflation rate, however, the exhortations not to take "free collective bargaining" too literally will become louder and may even prompt some people to re-investigate the merits of monetarism's principal rival in economic management, reflation plus incomes policy.

Dr Warren H. Fishbein's Wage Restraint by Consensus would be a good starting point. It provides a dry, largely descriptive, account of the politics of incomes policies since the war—and especially from 1965 to 1979—and concludes, in a more thought-provoking final chapter that: "Incomes policy will not function effectively in Britain because it will not enjoy sustained trade union support."

There is a useful "check-list" chapter towards the end which attempts to assess the gains and losses to both sides in the Social Contract heyday of 1975-77. Its broad conclusion—that the TUC sacrified two years restraint for very little they would not have got anyway also neatly undermines the right-wing Conservative view that the Social Contract was the greatest threat to parliamentary democracy since Hitler.

As well as correcting a number of fallacies about the closed shop
closed shop) Dr Fishbein points out that almost all the expansionist "TUC policies" which formed the quid pro quo for restraint had been separately developed by the Labour Party national executive committee and endorsed by conference.

But despite the closest links to the resident socialist party of any trade union movement in Europe, why is it that the essentially Victorian - Liberal idea of laissez-faire-collective bargaining has such a mesmeric hold over British unions? Why, despite a sympathetic Government could the trade union leaders sell only brief acquiescence in voluntary restraint and even then only because of impending economic collapse?

The answer, touched on by Dr Fishbein, lies in the decentralised nature of much of British bargaining. That devolution of power—ironically given such a boost by Mr Jack Jones the central architect of the Social Contract—created an impossible conundrum for local negotiators.

If the painful suspension of their raison d'etre produced macroeconomic benefits for their members they lost—but if it did produce the goods they also lost by becoming a dispensable limb of the corporatist utopia.

These considerations, however, have not been an obstacle to collective bargaining writ large (in social contract form) in Austria, Norway, Germany and Sweden (which Dr Fishbein looks at in some depth). Is it simply that they have enjoyed more centralised more industry-based (and thus less competitive) union structures or does it lie deeper in the political history of the countries in question?

DAVID GOODHART

UK NEWS

David Brindle and David Goodhart on the future of a 'job for life'

Key test of dock labour scheme

THE NATIONAL docks strike in Britain, which began at midnight on Monday, will be seen as a crucial test of strength over the future of the statutory dock labour scheme.

If the Transport and General Workers' Union (TGWU) can prove it is capable of mounting an effective stoppage - however brief - the scheme will probably be spared for the foreseeable future.

If, however, the strike is patchy and a substantial proportion of trade continues, the employers and the Government might be tempted to fulfil their desire to kill off the scheme.

The scheme was introduced in 1947 and provides for registers of dockworkers controlled by local boards and the National Dock Labour Board, with employers and workers equally represented.

It is said the scheme virtually gives dockers a "job for life" guarantee. Indeed, it does stipulate that if an employer closes, remaining employers in the same port must take on its workers - virtually ruling out compulsory redundancy.

Voluntary redundancy schemes are mounted, however. One offers dockers up to £25,000 to leave. The numbers covered by the scheme have fallen from a peak of 82,500 in 1951 to 13,700 in 54 ports today.

Another 6,000 dockers work in more than 80 non-scheme ports, including Felixstowe, Dover and Harwich. The union has pressed unsuccessfully over the years to have these ports brought into the scheme. The employers have opposed and have continued to whittle away at the numbers covered by the scheme.

Recently the employers have become more open in their hostility to the scheme and the Government, although cautious, has dropped broad hints of its future intentions.

The issue flared at the employers' annual luncheon in April. Union leaders were furious at speeches made against the scheme in their presence, although Mr Nicholas Ridley, the Transport Secretary, disappointed the more bullish employers with the restrained tone of his comments.

He said only that the Government was keeping a close eye on the scheme which, he hinted, represented the sort of restrictive practice which was hampering the ports industry.

With the mineworkers' strikes just beginning at the time, the Government was clearly anxious not to open a second front. The TGWU considered, however, that a gauntlet was about to be thrown down and threw its own first, threatening a national docks strike if the scheme was tampered with.

Tension has been bubbling beneath the surface in the docks throughout the coal dispute and the strike could have come as easily in late April when there was a confrontation at the Hunterston terminal in the Clyde.

More than 80 per cent of Britain's trade by value is seaborn with only about 20 per cent using the airways.

The figure for seaborne trade is slightly lower than during the last national dock strike in 1972, when a five-week stoppage had a crippling effect on trade cutting exports by more than a third.

Hopes of by-passing the worst effects of the dispute rest on a patchy response from the unionised non-scheme ports and a much bigger transfer of trade to the growing number of small non-union ports than was possible in 1972.

There are no reliable estimates of how many non-union ports there are or what size of ship the larger ones can take.

MPs question acid rain cause

By Maurice Samuelson

AN ALL-PARTY committee of MPs is expected to give the Government valuable support in resisting what it sees as premature, expensive and questionable action in coping with acid rain.

The House of Commons select committee on the environment has been studying the acid rain problem for the past three months. It is expected to report shortly that nitrous oxide emissions, 30 per cent of which come from car exhausts, are at least as important a cause of acid rain as sulphur dioxide – widely blamed for acid rain – and possibly more so.

Sir Hugh Rossi, a Conservative MP and the committee's chairman, said at its session yesterday that nitrogen oxide had impressed the committee "as a pollutant to which equal if not greater attention must be given than is given to sulphur dioxide."

BOOKS OF THE MONTH

Announcements below are prepaid advertisements. If you require entry in the forthcoming panels, application should be made to the Advertisement Department, Bracken House, 10 Cannon Street, EC4P 4BY — Telephone 01-248 8000, Ext. 3252.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The biscuit market

Nabisco: aiming to tickle the UK palate

Carla Rapoport reports on the reshaping of Huntley & Palmer

A STUDENT of 1930s architecture would revel in the old Huntley & Palmer building on Kings Road in Reading but John Greeniaus, chief executive of Nabisco UK, which now runs the old H & P business, hates it.

"All those long, tall corridors and closed doors," he says with distaste. Nabisco will be spending £3m over the next few years on a roof-to-cellar refurbishment of the old Reading building.

Greeniaus, a 39-year-old Canadian, has much more on his mind than breaking down the cold, formal atmosphere of his head office. Within the next eight months or so, Greeniaus aims to take on the UK biscuit market in a manner that promises to create more excitement than the staid biscuit manufacturing industry has seen for decades.

"We've got to take the fundamental initiative to create a more interesting product, not just another plain old biscuit. Something richer, something exotic, something that will tempt consumers. I've got to believe the UK is ready for it," says Greeniaus.

The exotic new product should be ready for sale by early next year. It is most likely to be a cake-like biscuit, along the lines of the new chewy cookies launched with so much fanfare in America recently by companies such as Duncan Hines, part of Procter and Gamble, Nabisco and Keebler, a subsidiary of Britain's United Biscuits.

The American battles in the cookie market have produced some encouraging results for some of the participants, including Nabisco and Keebler. But as one UK retailer recently put it: "Americans will eat anything."

Even so, Greeniaus' plan to launch a chewy biscuit in the UK has the full support of his new chairman, Basil Collins, formerly group managing director at Cadbury Schweppes. "We do not accept that because the UK biscuit market has been dull, it has to remain dull. If that premise launches a cookie war in Britain, so be it," says Collins.

But is Nabisco UK—which means only Shredded Wheat cereal to millions of UK consumers—in any shape to go to war in the biscuit market? Just about, says John Greeniaus.

The heart of Nabisco UK is the old Huntley & Palmer group which was acquired by Nabisco in late 1982. One of Britain's oldest private companies, H & P *was in serious decline by the* early 1980s, stemming from a host of historical problems (see related story). By 1982, H & P reported trading profits of £0.9m on sales of £240m. Nabisco UK produced £13.9m on sales of £138m.

Following the departure of the old H & P management including the remaining members of the founding Palmer family, Nabisco filled the top jobs in Reading with proven hot-shots from its U.S., Australian and Canadian businesses. These chieftains lost no time in launch a pruning operation.

The workforce was reduced by 24 per cent, with the loss of 4,300 jobs. The 25 factories operated by the two groups were cut back to 17, distribution depots from 34 to 26, and three salesforces merged into one. Rationalisation reached into the product portfolio as well, with 150 different biscuits eliminated.

All this activity has had a smart effect on the group's profits. In a statement to be released next week, Nabisco will announce that the newly merged group has lifted trading profits by more than 50 per cent, from £14.8m in 1982 (Nabisco's £13.9m plus H & P's £0.9m) to £22.6m in 1983 on sales of £388.6m. In the biscuit arena, trading profits leaped from £3.2m to £5.4m on sales of around £150m, while the group's merged snacks businesses pushed profits from £10m to £17m on sales of £174m.

This year will bring another "sizeable" increase in profits, according to Collins. But Greeniaus says he still has *more pruning to do. Nabisco's* Canadian subsidiary, he points out, has a larger turnover than the UK operation, with just 6,000 employees. Nabisco UK currently employs 14,000. Further reductions, however, will *be met largely through* natural wastage, he says.

"The productivity gap between us and United Biscuits is still enough to be concerned about. From an operations point of view, UB has been brilliant and I take my hat off to (Sir) Hector Laing on that," he says.

"But I think there has been an over-emphasis on efficiency in this market. There isn't the richness of biscuit. Biscuits in the U.S. cost 20 to 30 per cent more per kilo. We have a hypothesis that the consumer will be willing to try a more interesting high quality product," says Greeniaus.

At this point he gets almost *heated. "You hear a lot of talk* about the concentration of power in the hands of the retailer. But it's not the big, bad retailer that is hurting us. We (the manufacturers) simply left them a void. We stopped innovating," he says.

"Some of our most exciting foods are own-label—we went out and developed whole businesses, like bran flakes for Sainsbury."

Then he picked up a packet of Smiths crisps. "This guy invented crisps and we owned the market. Then two things were done. The quality was allowed to slide and all consumer advertising was withdrawn. It was death."

But improvements in quality and productivity demand capital investment, while supporting brand names requires hefty advertising support. On the first point, Nabisco has told the Monopolies and Mergers Commission that it intends to spend £95m on the old H & P business *over the next five years.* Last year, it spent £20m on line improvements, fleet modernisations, packaging innovations and the like. This was below the group's target set out in the Commission's report, but Nabisco insists it will spend the full amount within five years as promised.

On advertising, spending jumped from £13m to £20m this year and will increase substantially next year.

With around 18 per cent of the biscuit market, compared with UB's 40 per cent, Greenaius says he aims to halt the decline in market share and become an effective Number Two in the marketplace. "Right now UB has the market all to itself. We are not large enough for them to pay attention to us. I'm resigned to being number two, but more like Pepsi, which is a strong second to Coke."

The new, improved Nabisco has already had a positive effect on biscuit prices. After four years of decline, prices held steady in real terms last year and this year are inching up just behind the rate of inflation.

Greeniaus hoped to be the first on the British market with the new chewy biscuits. Up until last Friday, the field looked clear. But this week, UB executives decided they could no longer ignore the excellent returns from their Soft Batch cookie in the U.S.

Unlike Nabisco, however, UB will tread softly into the fray. "We have researched it here and it hasn't researched very well," says Sir Hector. "Nevertheless, we will test it in a small area . . . . but not immediately. I think it is too sweet. But we are not too proud to try something new," he says.

Nabisco is more aggressive. "We have to develop something specifically for the British taste, Greeniaus says. Currently, soft biscuits are simply considered to be stale, not scrumptious, by UK consumers. The outcome could be closer to the American brownie than the all-American chocolate chip cookie, he says.

The City is already sceptical of Nabisco's challenge. "It's going to cost Nabisco a pile of cash and take a lot of time to try to change the British taste," says David Lang, a food analyst with Henderson Crosthwaite, the London stockbrokers.

But to Basil Collins, the changes are already here. "Look at the rise in fast food, look at the increased consumption of snacks. We are changing to what I call mobile eating. Biscuits are in themselves an ideal snack, but they haven't attached themselves to the glamour of snacks. It is up to us to make them both exciting and part of everyday, routine eating."

Hugh Routledge

John Greeniaus (left) and Basil Collins: planning "something richer, something exotic"

The perils of a declining market and a narrow base

"IT IS incredible that the last word of invention should date thirty years back . . . in no other trade can this policy hold," harrumphed the firm of valuers Wheatley Kirk Price, which Huntley & Palmer had called in to value their assets.

That was back in 1965. "We look forward," stated Wheatley Kirk Price, "to seeing a new complete factory in which, for all ordinary biscuits, the operations will be automatic. . . ."

According to T. A. B. Corley's book, Quaker Enterprise in Biscuits, the first automatic machines for standard types of biscuits did not arrive in Reading until 1939. H & P had been in business for more than a hundred years by that time, but it had yet to learn the value of ***investing in its core business*** **in order to keep abreast of technological innovation.**

The story repeats itself at other points in H & P's history. In 1955, H & P opened a brand new factory in Huyton, east of Liverpool. A factory on a greenfield site might have presented an "opportunity for experimenting with further technological improvements," Corley tactfully suggests.

"In fact, this did not happen," the author states. The whole of the initial plant at Huyton showed little improvement over what was already at Reading. "You can say that again," says John Evans, Nabisco UK's group operating officer who assisted in the closure of the Huyton factory last year. "It looked like they had the money for the building, but not for the equipment inside," he says.

Dr Keith Bright, former chief executive of H & P then Associated Biscuits) from 1977 to 1982, agrees that Huyton should have been closed long before 1983.

Gordon Palmer, the former chairman of H & P, says comments about undue family control of the Board are "utter nonsense." "Keith Bright had a completely free hand to run the business," says Palmer. He does add, however, that a charge of underinvestment in the business is very fair comment.

"We didn't do it deliberately," says Palmer. "But it is true that we did not generate enough money to reinvest in new and modern technology. To this extent, we were outbid by United Biscuits," he says.

Raymond Monbiot, brought in by Keith Bright to run the biscuit division, now chairman of Campbell's UK, says: "In 1963, Associated Biscuits (H & P) and United Biscuits were about equal in the marketplace. UB appointed a king (Hector Laing) who drove the company down the road of high productivity and strong brands. Huntley & Palmer had no driving force; there was no single driving force in that family."

For all that, it was the Bright regime that decided to embark on an aggressive acquisition campaign in the late 1970s which further stretched the group's resources away from its core business.

Bright's explanation today—accepting that some of these acquisitions soured swiftly—is that AB was under threat of an unwelcome bid from Northern Foods around 1978. "There was a need to expand the base of the business," says Bright.

Between 1978 and 1982, biscuit prices fell in real terms by more than 16 per cent while demand remained flatter than a pancake. H & P, badly pinched by relatively high production costs, attempted to rationalise and cut back on advertising. When the Nabisco bid arrived in early 1982, Bright thought the company had a reasonable chance of remaining independent.

Those chances were dashed, he says, when he received the *revised accounts for OP* Chocolates, a Welsh-based subsidiary. Profits of £1m had melted into losses of £1m and that £2m swing, Bright says, spelled the end of H & P's defence.

"Yes, it would have been highly desirable to invest in the business (during the 1970s), but it was a single, narrowly-based company in a declining market, facing powerful competition," says Monbiot. "What would you have done?"

Management abstracts

Participate—but with caution. R. J. Boyle in Harvard Business Review (U.S.), Jan/Feb 84

A divisional manager of Honeywell Inc tells how the company tried to move from a heavy authoritarian style, when lavatory doors were removed to discourage private reading in company time, to a participative style; describes how the participative style spawned an uncontrolled proliferation of committees and task teams, and how the company has now moved gradually to a better balance—but with participation still holding the upper hand.

The break-up of computer service departments. C. J. Rowe in Industrial Management and Data Systems. (UK), Jan/Feb 84

Speculates on the effects of the growing use of micros on the role and future of centralised computer services departments, particularly in larger organisations. Predicts that the trend towards using micros as managerial tools will accelerate the "break-up" of central data processing departments, with staff being dispersed throughout organisations to act as counsellors to line managers. Concludes that computer services may represent the fastes rise and fall of any branch of management!

The sales function in banking. J. Cheese in The International Journal of Bank Marketing (UK), Vol 1 No 2

*Reviews the acceptance of sel*ling and the introduction of sales management in the clearing banks; claims that erosion of revenue, due to increased competition, has forced a radical rethink in arriving at an effectively organised and managed sales effort.

In-store video. P. James in *International Journal of Micro*graphics and Video Technology. (UK), Vol 2 No 4

Describes the use of video for in-store product demonstrations, giving details of both random access—where customers select the particular product to be shown, and continuous—where a set video is replayed continu*ously. Gives some idea of the* likely costs involved and suggests that return on investment can be high—but warns that projects must be presented professionally.

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TECHNOLOGY

EDITED BY ALAN CANE

PHILIPS AND SIEMENS COLLABORATE ON MICRO CHIPS

European adventurers in the sub-micron world

BY WALTER ELLIS IN AMSTERDAM

THE INCREDIBLE shrinking world of sub-micron technology is expanding rapidly. To borrow from Professor Parkinson, integrated circuits (ICS) are contracting to fill the space available.

The fact is that whichever company first comes up with a commercial micro-chip on which the components are spaced one thousandth of a millimetre (one mircon) or less apart stands to make a fortune. Present-day ICS, miraculous and minute though they are, cannot carry the amount of information which electronics systems designers ideally would like to put into them, and the race is on to put more into less.

Philips of The Netherlands and Siemens of West Germany Europe's two largest electronics groups, are hoping to set up an advanced research and development centre in Eindhoven, funded by the two companies with help from their respective governments, in pursuit of the mini-micro-chip.

No details of the cost have been released. Both companies remain cagey about the amounts involved, but negotiations are underway with the economics ministries in The Hague and Bonn, and it is understood that some hundreds of millions of guilders are at stake.

The importance of the project can perhaps be measured by the fact that a decision by the Dutch government is likely to be taken in the context of the 1985 Netherlands budget, now under consideration. The Philips-Siemens joint centre, which would engage in fundamental as well as applied research, would be equipped with the latest, computer-aided design equipment and would recruit a team of highly-qualified specialists able to construct their own theories and strategies right at the edge of known technology.

Sub-micron technology presents problems of scale that have yet to be overcome. Existing silicon chips have been refined steadily over the past 10 years. The difficulty now is that further improvement is impossible due to structural weaknesses inherent in the materials used. Philips uses the analogy of water being run through a pipe. When the pipe is wide, the water flows freely. The smaller the diameter of the pipe, the more pressure has to be applied to the water to maintain the flow. Beyond a certain point, however, the pipe takes on the characteristics of a capillary through the walls of which water seeps and diffuses so that precise control of the flow is lost.

In the case of an integrated circuit, the smaller the "pipe" or channel, the greater is the resistance. The flow of electrons, which has to be precise to be useful, becomes random. Researchers face the challenge of coming up with new materials having a much lower specific resistance, so that instructions to the chip are again carried out to the letter. They also have to deal with material handling problems and material ageing. Nothing is simple and nothing is obvious.

What is being sought is a new carrier that will hold a greater number of components per chip and permit minutely small connection lines. The benefits should be greater systems complexity in a smaller space and, in manufacturing terms, cost reductions leading to economies of scale.

Philips and Siemens are preparing a feasibility study at the moment, and the results of this should be available by the autumn.

It is impossible to say with any certainty what the precise practical application of the sub-micron chip will be, although the memory and logic fields seem obvious beneficiaries. Philips simply observes that systems will grow around the ICS as fast as they can be developed. That is the way with modern electronics: if it is possible, it will quickly become indispensable.

Currently, Philips produces some FL 2bn-worth of integrated circuits each year. Siemens has begun a development programme costing around DM 1bn. Part of the Siemens plan is for the construction of a test pro-[illegible]tion line for new-generation ICS.

[illegible] hopes to open mass-production in Regensburg and intends, before 1990, to make its own 4m-bit chips. Next year, production is scheduled to begin in Villach in Austria of 256K-bit chips.

The joint research centre, if it is agreed, will be a direct product of a pact signed by Philips and Siemens in 1982 in which they agreed to co-operate closely in basic research up to pre-product level.

A group of some 50 researchers from the two companies is already engaged in projects which involve semiconductor materials and speech recognition, both of which require computer-guidance and sub-micron technology. The Dutch and West German groups are keenly aware of the need to compete with the power of the U.S. and Japan in this area and see a number of advantages deriving from their close relationship in R and D.

First, there is a saving in development costs and capacity. Second, success is made more likely by the application of ideas from more than one source and using different materials. Third, whatever is discovered can be shared between the two companies, so that at least part standardisation is achieved.

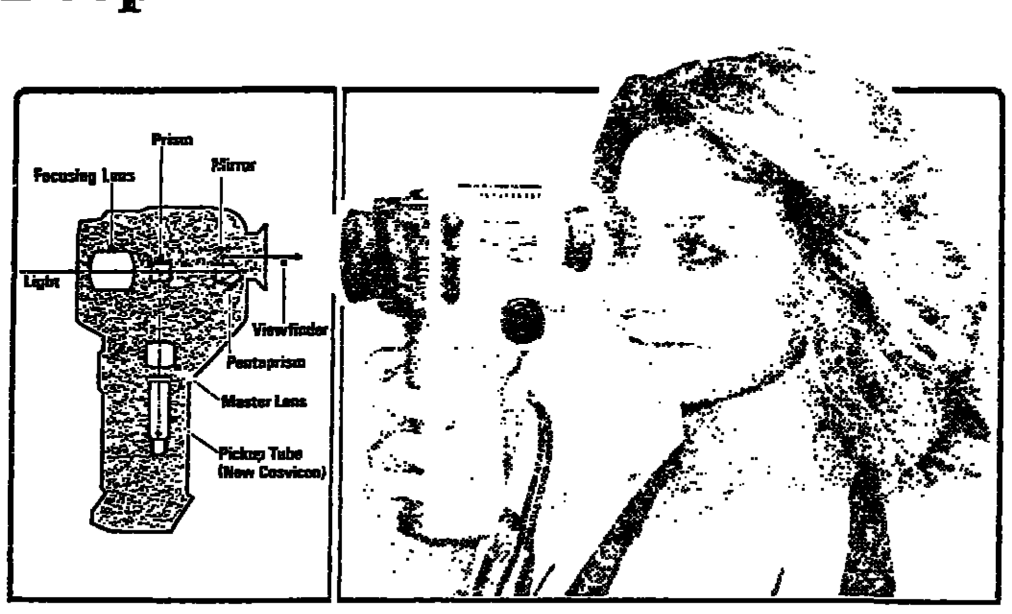
Philips has considerable experience of the value of co-operation. In the electronics field alone, it has deals at present with RCA, Intel and Motorola. With RCA it is working on the development of ultra-quick C-MOS (complementary metal-oxide semi-conductor) chips, to be produced by Philips in Nijmegen. The Intel deal covers eight-bit computers, while 16-bit development is the subject of co-operation with Motorola.

At present, Philips produces 40 per cent of its chips in Europe. A total of 2,200 workers are employed in Nijmegen, and there are assembly lines too in Hamburg, Southampton, Caen and Zurich. Expansion, both of capacity and chip types is felt to be essential as the U.S. and Japan continue to pour billions of dollars into IC research.

In 1983, America produced more than 50 per cent of total world ICS, while Japan's share of the market rose to 37 per cent. Europe, meanwhile, has seen its share decline, from 11 per cent in 1983 to a likely 9 per cent this year.

The world market for ICS grew between 1970 and 1980 at an average rate of 28 per cent,

People's camera for the '80s



THE "WORLD'S smallest and lightest" commercial video camera, pictured here, costs £449 and is made by Konica of Japan.

Mr Edi Fitzgerald, marketing and sales manager for Konica UK describes it as the video camera for Mr and Mrs Everyman. It plugs directly into a domestic video recorder.

As the diagram shows, Konica did away with the bulky body which characterises video cameras today by positioning the all-important pickup tube vertically in the handle of the camera, directing the incoming light with a system of lenses and prisms.

An electronic viewfinder can be fitted to the top of the camera which also allows instant playback of recorded material.

Konica sees a bright future for its new camera in education and the home. Its lightness and flexibility suggests a place in business training. It will operate with VHS or Betamax video formats.

ELECTRONICS

Automated routing for PCBs

AUTOMATION SYSTEMS, a newly-formed subsidiary of Automation of Basingstoke, Hampshire, is to market the Calay computer-aided layout system for printed circuit board (PCB).

The Calay VO3 equipment has been designed by Kroschewski Electronic GmbH in Germany and features a powerful autorouter which is claimed to achieve consistently 100 per cent automatic routing of PCB conductors, even on complex multilayer boards.

Unlike most systems, the VO3 software provides dynamic routing — tracks initially specified are not permanent but might be altered later in the light of subsequent placements. Complete automatic routing is therefore possible claims the company.

Starting with his paper circuit diagram or schematic, the designer can choose the required components from the VO3's library of standard parts. He uses an annotated tablet and a mouse (slective pointing device) to position them on the board's image on the screen. After the engineer has entered, via the keyboard, the pin-to-pin connections that are needed, the computer draws in simple straight line connections.

At this point the user might move the components about a little to improve subsequent routing. Alternatively, he can call upon auto-placing software that will compute all the shortest distances from the electrical data and place the components in the best position.

Finally, the dynamic routing software makes successive attempts to draw the "physical" connections between pins. Impossible placings soon show up, whereupon the designer will make alterations and re-start the autorouting.

A second "cleaning up" stage of the software optimises the layout to reduce any unnecessary tracking or routes through the thickness of the board. It will also straighten up any twisted track routes and insert 45 degree bends where appropriate.

Typically, says Mr P. W. Martin, general manager of Automation Systems, a 9 x 6 in board containing 80 integrated circuits might need about 10 hours of input by the designer, followed by four hours of automatic routing by the machine—and the latter can take place at night or over a weekend.

The VO3 also has built-in post-processing which produces data for drawings, photoplots, drilling tapes, parts lists, assembly systems and automatic test equipment.

Up to three workstations can be accommodated by the system, which is compatible with external sources of data capture and storage. A single workstation system costs £90,000. More on 0256 3141.

GEOFFREY CHARLISH

Micrographics

Designs captured on film

MICROFILM VERSIONS of drawings produced on computer-aided design systems can be made by a machine called the Microplotter just introduced by Imtec (01-204 3456).

The machine uses a laser and a two-stage beam deflection system to write in vector mode directly on to ultra-high resolution film. Typically an aperture card of a complex A1-sized engineering drawing is available in less than four minutes. Then, prints can be made on microfilm printers and be available within a few more minutes.

Automatic delivery of imaged and processed microfilm aperture cards means that Microplotter offers a speed of information distribution which more than matches the plotter output of CAD systems. Further more, the drawings are available straight away in easily stored form.

The basic graphics software package is transportable between many host computers. It can also be run on one of Imtec's off-line controllers, enabling data to be downloaded from the host computer, post-processed and fed to the Microplotter, thus freeing the host for other work.

Engineering

Extra hands for the constructor

Kemplant, a small company in Billingshurst, West Sussex, is selling a small clamp that provides two "extra hands" in do-it-yourself applications in the home.

A base block clamped to a bench carries four wires, each fitted with a crocodile clip to hold the work. Any of the wires can be replaced by a magnifying glass for jobs requiring close scrutiny.

The four-handed device sells for £4.85, with the magnifier costing extra.

Manufacturing

Controller for low cost FMS

KONGSBERG SYSTEMS Technology (KST) has introduced a manufacturing cell controller which it claims brings the prospect of a full, flexible manufacturing system within the grasp of small- and medium-sized companies.

In its simplest form the FM Controller can act as a stand-alone CNC (computer numerical control) unit for a single machine. But it can be expanded progressively to give communications and control for several machines and robots, together with the associated work handling equipment. The controller can also be "bolted on" to existing groups of machines to give flexible manufacturing.

End users, large or small, will be able to move at their own pace into cell manufacturing. They will find, claims Kongsberg, that most of their existing turning and machining centres could, with the addition of FM controllers and material handling equipment, be incorporated into FMS at much less cost than purchasing a completely new system.

For flexibility, controller hardware communications is via the IEEE P976 multiprocessor multibus; software deploys MMX86 multiprocessor message exchanges.

Thickness meter

SGS SONOMATIC of Warrington has launched a microprocessor controlled portable thickness meter with built-in memory.

It uses twin, focussed ultrasonic transducers, operating on the pulse-echo principle. The rechargeable battery has a life of 10-20 hours. More on 0925 810511.

ENERGY REVIEW

N. Sea oilmen face new technology dilemma

By Mark Meredith, Scottish Correspondent

THE TECHNOLOGY developed to find and produce oil in the North Sea is about to be given its most severe test as exploration moves into deeper and yet more hostile waters.

The ninth round of licences could see a rapid extension of drilling in depths over 2,000 ft to the west of Shetlands, in the Faroes trough and to the north and west of the Outer Hebrides. This compares with average depths of 300 ft in the North Sea. The risks will be greater, the margin for error smaller, the demand on equipment and the cost will be huge.

This next phase will highlight one of the big dilemmas for oil companies in the development of offshore technology in the North Sea: with so much at stake and such big problems to solve, the question is how much unproven new equipment to use.

The oilmen are, by nature, a conservative lot, not willing to risk the hundreds of thousands of dollars spent in "downtime" due to the failure of newfangled machines, with which they are not familiar.

The recent formation of Brit, the British Indigenous Technology Group, to a large extent marks the frustration of British high technology companies to get a hearing, especially with

'The noise is ahead of the development'

the U.S. oil companies brought in with their own tried and tested equipment in the early 1970s in the North Sea rush for self-sufficiency.

The application of computers is a case in point. The computermen see the new offshore exploration as an important frontier for computer applications. They are confident they are ready and prepared.

The oilmen say computers are already in extensive and increasing use. But they will not be rushed by heavy marketing to cross the *new frontiers* and possibly make costly mistakes.

According to Mr Robert Lewis Riding, a computer consultant in the offshore industry, an oil company these days is likely to spend £100,000 in computer costs before getting a government licence to produce oil from an offshore field.

Given the size of the oil and computer industries, it seems the two sides are still not talking to each other enough about the new areas of electronics applications. Both admit they need to collaborate better and learn the other's language.

"There is a tremendous amount of hype from the microcomputer end," says Mr Norman Little, head of Britoil's computer operations. Reacting to determined selling by the electronics industry, he claims: "The noise is ahead of the development."

Trying to be all things to oil companies, the computer industry suggests that the development of artificial intelligence, *making computers more like humans*, could even help an oil company decide whether or not to develop a new oilfield. Not so fast, say the oil companies.

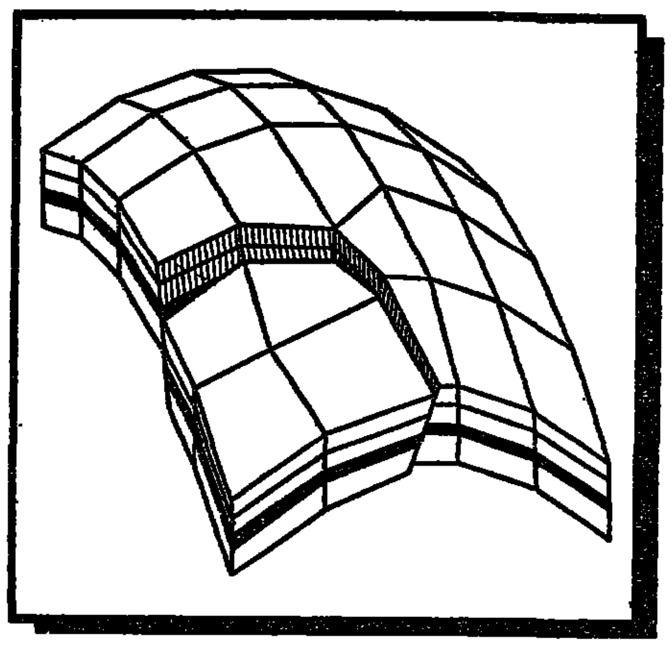
Take a drillship working in unfriendly seas to the west of Shetland. Computers analyse the mud and rock to give a profile of the potential oil reservoir. Computers may help the motion compensators hold the drill as steady as possible. Computers linked to a satellite navigation system or a sonar signal bounced off the sea bed thrusters operate the propeller to hold the ship in position.

Computers come into their own in the control room, monitoring the performance of the equipment, and searching for failures and dangers. They survey flow measurements, gas or water re-injection to maintain pressure inside the oil reservoir, and keep track of staff.

Back onshore, the computers crunch the all-important numbers giving the revenue, sort out the tax to be paid, plan distribution and help determine the most lucrative rate of flow.

Shell's integrated production system for its Flags (far north liquids and associated gas) system links information from the Brent field and, soon, the Fulmar gas platforms, their pipelines, shore terminals and downstream refineries and separation plants.

The system helps keep in balance factors such as offshore crude oil storage capacity, stocks of oil at the Sullom Voe oil terminal in Shetland and of propane and butane in stock at Sullom Voe and Mossmorran in Fife, the pressure on the 416-mile Flags pipeline from Brent via the St Fergus gas terminal to Mossmorran, gas re-injection capability in some fields, the flexibility in process conditions offshore and onshore separation and product delivery as well as offshore tanker loading facilities.



Computers tackle the complicated geological formations of an oil reservoir. Here, in profile, is part of the Eclipse software program produced by Exploration Consultants of Henley-on-Thames.

Looking a bit like the Nasa space centre, Shell's Aberdeen operations co-ordination centre gives a highly computerised overview of many thousand operations. Its supervisory control and data acquisition system (Scada) uses 16 Ferranti Argus computers installed both in Aberdeen and at Shell platforms offshore handling over 17,000 plant inputs.

Offshore Shell has its off-capo (computer assisted production operations) which correspond to an on-capo monitoring, reporting and analysing problems. Its Plis or pipeline integrity system monitors pipeline traffic.

A separate production data system, using Hewlett Packard 3000/model 64 minicomputers, handles six or more sub-systems such as production information and accounting data for the various partners in the Brent Field on field deliveries, information for fellow participants in the northern associated gas system, a programme of analysing downtime and another for organising tanker movements.

The first offshore oil and gas platforms in the North Sea during the 1970s pre-dated many computer developments. This has meant the computers did not have the all-important chance to get the track record they needed for more advanced applications.

"On the first generation platforms, there was little opportunity to attune platform instrumentation to the computer system," according to Mr Leo van Aarle, Shell UK computer applications' senior supervisor. "Quality assurance proved to be a major challenge," he said in a recent speech on the Scada system.

Shell's experience has taught it the importance of bringing together the increasing amount of information available through improved instrumentation.

The lengthy leadtimes in designing computer systems have also added to the caution of the oil industry in planning its use of electronics with confidence.

At a recent offshore computers exhibition in Aberdeen companies with computer aided design systems ranging in price from £10,000 to £1m were prominent exhibitors.

Drawing, modifying and placing the huge amounts of machinery on offshore structures have been greatly aided by this system. Some North Sea platforms have in the past required over 130,000 separate drawings, accounting for weeks of preparation time in design work.

Computer-aided design systems are likely to assist in producing the floating structures expected to replace the fixed platforms for the new deepwater developments.

Reservoir engineering is a second area where the computer has shown its paces. By analysing seismic data, complicated mathematical programmes can determine the shape of the rock formation of the oil reservoir to plan the optimum production programme. The formulas can be represented in remarkable computerised drawings of an oilfield.

Exploration Consultants of Henley-on-Thames is a rare success story of a British company penetrating the market of in-house systems devised by the oil companies' own computer specialists. Its Eclipse program, at $250,000 a customer, was started by scientists at the Atomic Engineering Research Establishment at Harwell who joined the new company.

"Our biggest headache was the line that this was 'non-proven technology' and we had to work at getting a benchmark test to let companies try it out," says Mr Ted Daniels, the company's managing director. With 15 installations and 30 orders waiting, Mr Daniels speaks confidently about sweeping the board with offshore applications.

The most controversial area of computer applications in the next phase of offshore development will be the use of expert systems or artificial intelligence. This allows an expert to feed into a computer program all the factors involved in solving a particular problem. A non-expert facing the problem can then query the computer to determine the right course of action.

A radical in this sphere is Mr David Hawkins of Oilfield Expert Systems. He is ready to take multi-billion pound decisions, such as whether to develop this or that field, with his integrated knowledge-based modelling.

This 40-year old mechanical engineer has turned artificial intelligence into an ideological issue, insisting that the "if-then" format of present developments—if the machine rattles, then check this or that component for example—does not go far enough.

"The current philosophy of artificial intelligence is wrong," he says. "This rule-based system trivialises the information of the expert." He adds that companies need to hire a "knowledge engineer," to elicit the right information to feed into the program.

Mr Hawkins's program, which has one British and one Dutch order so far—both onshore and experimental—allows a vast amount of conceptual information to be integrated.

"Thus, when it comes to a field development the view of the micropalaeontologist and the finance director can both be included, whereas they normally would not have any contact."

The offshore operators will take some convincing. But they do concede that the more established expert systems can help solve problems and improve training.

"We are looking at artificial intelligence but it is not in day-

'Environmentally, space is easier than offshore'

to-day use," says Mr Norman Lillie of Britoil.

To others in the industry there are more practical problems in computer applications yet to overcome: many computers need to perform better given the "noise"—outside electronic interference created on an offshore platform, according to Dr Gareth Owen, head of the department of offshore engineering at Heriot-Watt University in Edinburgh.

"The oil industry is conservative in its approach to new ideas. It wants to apply proven technology in this tough environment," says Dr Owen.

"Even the space environment is easier than offshore. Space is not as random. Factors such as the uncertain weather have made computer applications more complicated."

THE ARTS

Television/Christopher Dunkley

Lord Reith's alive in Russia

Oh I say! McEnroe won the men's singles just as everybody said he would. Again. Navratilova won the women's singles just as everyone said she would. Again. Lloyd and Turnbull won the mixed doubles just as everybody said they would. Again. Fleming and McEnroe won the men's doubles just as everyone said they would. Again. And Navratilova and Shriver won the women's doubles just as everyone said they would. Again. According to my periodic checks throughout Wimbledon fortnight the BBC coverage was highly proficient. Again.

However the decision to devote my time in the second week of Wimbledon to the NFT's season of Russian television was an easy one. We have enough repeats packing the summer schedules already without having to watch a complete re-run of Wimbledon year after year.

Before we consider the treats offered to Russian viewers, however, Wimbledon does have one important bearing on the week's events. In understanding the ITV decision to pull out of the Olympics, it is just as important to grasp ITV's attitude to Wimbledon as it is to detect what lies behind the question of whether to send two or three PAs (production assistants) to Los Angeles.

It is true that matters come to a head over the PAs: the television technicians' union, ACTT, said that since three camera crews were going there should be three PAs. The management said there was no call for any since this was not a film operation but all-ENG (Electronic News Gathering), the modern system which shoots straight onto videotape, cutting out film and therefore film processing.

But ITV management decided to stand firm on the question of the third assistant because, while the union may see its role as maintaining employment among its own people and acquiring a high proportion of the industry's profits for expert technicians rather than "idle" shareholders, ITV management sees a risk of catching "the Fleet Street disease." By this they mean make-work practices and the dictation of manning levels by the unions with the crucial "perishibility" of the product used perpetually as a bargaining counter.

However, this "principled" stand disregards the Wimbledon factor: the BBC does not have an exclusive contract on Wimbledon and yet ITV chooses not to cover the championship. Why? Because they tried once and were so badly beaten by the BBC in the ratings that they have stayed away ever since.

Owing to the BBC's historical hold on major sports events and the audience's consequent habit of turning to the BBC on such occasions, ITV face a dreadful dilemma; if they compete they get beaten and if they don't then the BBC's position is reinforced still further.

If £2m or more in sacrificed fees seems a high price to pay for proving your point, we ought not to forget the drubbing which ITV took from the BBC at the Moscow Olympics. It is hard to believe that ITV management would have stood quite so firm on the third PA had they been anticipating a ratings triumph over the BBC. The prospect of another beating may have made it seem like a good time to impress the union with the strength of their principles.

Which brings us to the week of Soviet Television at London's National Film Theatre because, as people kept reminding us, television in Russia is governed by principles which are completely different from those in Britain or any other Western nation.

Actually there were times during this admirably enterprising week of programmes when the similarities and not the differences were most striking. For instance *Vremya*, Russia's main news programme, opens with a view of a clockface on a large clock tower and then goes to a male and a female presenter. Admittedly the programme's viewing figure of 170m overshadows ITN's even in proportional terms (Russia has 241m viewers) but then the organiser of the week, Terry Doyle, who made the BBC's fascinating series *Russian Language And People*, dryly pointed out that *Vremya* is screened on all three Russian channels simultaneously. That seems a fair indication of one of the differences in principle: television is clearly an arm of the Soviet state.

Yet the news bulletin which we saw during Saturday's all-day event featured foreign peace demonstrations with a concentration which must be counter productive. Even assuming that Russian audiences are as simple minded as those in the West watching *Blankety Blank* and *The Price Is Right* it must surely dawn on them eventually that what these people in foreign countries are doing is demonstrating against their own governments. And some Russians at least presumably smell a rat when they hear presenters talking not about the Soviet economy but about "the dynamic and highly developed Soviet economy."

However, given that the relationship between Soviet state and Soviet broadcasting is different from that in Britain, the similarities on screen become even more striking. Not only do British news programmes also contribute to the infrastructure maintaining the status quo, but both broadcasting systems are clearly dominated by middle class programme makers and consequently by bourgeois taste, best exemplified in both countries perhaps by a retreat into the safety of period drama. This is hardly surprising in Britain but does appear a little odd in a workers' state.

That it is so, however, seems clear even to the Russians themselves. In a short programme called *What Is Soviet TV?* made specially for the NFT season it was revealed that only 15 per cent of Russian programmes are categorised as "entertainment," and that "some" Russians—a sizeable euphemism I suspect—feel that is too low. This is hardly a surprise if the programmes shown during the NFT week (to packed audiences, incidentally, even though headphone commentary was the only way to get an English script) are fairly typical.

We started with *Anyuta*, a ballet based on a Chekhov story, which proved to be both witty and sexy. (One of the week's side issues was that the art of flirting though dead in the West thrives in Russia, or anyway on Russian television.) We went next to *About You*, a drama which in look and feel suggested those French films of the fifties which locked passionate human relationships *into particular landscapes*.

As with *Don't Shoot White Swans*, a touching drama about a simple countryman whose love of wildlife kept getting him into trouble, and the climax of the week, *Late Love*, a splendid and utterly gripping adaptation of a 19th century play by A. N. Ostrovsky, *About You* reminded me of a feeling I have had many times when watching Russian television plays at international festivals: that Soviet television drama all seems to aspire to the condition of cinema. The discovery on Saturday that much of it is commissioned from the major Soviet film studios helped explain that.

The point about all these productions, however, is that while their intellectual quality may have been high and their technical quality usually high (though not always: wobbly hand-held camera-work in a contemporary drama of marriage called *That Dangerous Age*, desperately unimaginative studio camera work in the Dostoyevsky adaptation *The Uncle's Dream*, and poor dubbing of studio sound on to outdoor scenes would all be frowned on in British television) they are hardly what anybody would expect to enthrall the masses.

We did see a glimpse of ice hockey, 10 minutes of a rather ordinary animated *Alice In Wonderland*, a wickedly slow wildlife documentary about cranes, a snatch of a vaguely Pythonesque youth series called *The Merry Fellows*, and a remarkable version of *The Hound Of The Baskervilles* in which breakfast in the typical English country house" included tea served in glasses out of a samovar.

Nevertheless the feeling at the end of the week was of a worthy service which gives the viewers what they ought to have rather than what they want. Lord Reith would have recognised it instantly. What a pity it was only available at the NFT instead of on BBC2. Oh I say, that would have been quite *extraordinary*.

E. Proklova in "Late Love"

Stags and Hens/Young Vic

Michael Coveney

Willy Russell's pre-marital rumpus in the adjoining lavatories of a Liverpool ballroom has been doing the regional rounds since 1977. Like Alan Bleasdale's *No More Sitting on the Old School Bench* it was written for performance by students and has achieved a similar popularity north of Watford.

The piece therfore pre-dates Russell's runaway hit *Educating Rita* and David Thacker's vigorous London premiere places it firmly in the centre of the playwright's best achievements: lively, coarse, well-organised, truthful and very funny. I was always uneasy about the Scouse Pygmalion two-hander. Here we have the ghastly full-blown ritual of the concurrent stag and hen parties of Dave and Linda before the portcullis slams behind the happy couple and their barbecue chairs, coffee percolators and antique-style furniture.

Dave does not glimpse much of the action. He spends most of the evening with his head down a toilet, having switched unwisely straight from the Chinese chicken to the black velvets and double Southern Comforts. He is carried into the glistening, streamer-festooned ballroom arena feet first and covered in vomit like a foul parody of a Viking king prepared for burial.

The play divides between the graffiti smeared off-white walls and chipped tiles of the gents; and the tawdry purple powder room of the ladies, where the girls are applying nail varnish, flicking cigarette ash into the pink basins and generally adjusting *their clothing* to share Linda's last chance to drink and dance the night away.

The leader of the hens is Noreen Kershaw (the original *Trafford Tanzi* wife) as Bernadette, a shuffling, stooping husky-voiced tartar with the shoulders, and technique, of a lumbering middle-weight boxer. She is attended by the bespectacled, weepy Maureen of Eithne Brown, the sun-tanned appeaser Frances (Kate Fitzgerald) and the ginger good sort Carol (Gilly Coman).

Linda herself is rather wanly played by Anne Miles, who misses out in the big second act scene when the former boyfriend Peter (very well done by Peter Christian) returns as a successful pop singer and rekindles an old fire. Not, however, before he has been insulted for his "tart's boots" by the boys who then recognise him and want to know where he bought them, Chelsea Girl, as it happens.

The tribal ritual of the lads includes swapping notes over the urinal wall about the girls on the dance floor and jostling for position among themselves. The Sunday League captain Eddy is played with energy and verve by Matthew Marsh, but he is hardly Liverpudlian. Little Billy (Ray Kingsley) and would-be ladies man Robbie (Nick Maloney) in his Hepworth's suit—"No rubbish on this back, mate"—are much more convincing.

Both sides abuse and deride each other before going through the formal motions of missing last taxis and necking in the hallway, while Linda discovers Dave unconscious at her feet and takes her first important decision. There is nothing phoney or patronising in Russell's affectionately sordid view of conditioned sexual reflexes and poses.

*

My Name is Sarah Tisdall, lunchtimes at the King's Head, is a cool, informative and thought-provoking documentary account of how a Grade 10 Foreign Office clerk became a celebrated defence correspondent on The Guardian.

Eithene Browne and Noreen Kershaw

The Boot Dance/Tricycle, Kilburn

Martin Hoyle

A cursory misreading of the Press release led me to believe Edgar White's new play was "about boots; what they do to us; whether we can really escape them—or indeed, should we try." Alarm at an impending evening of fetishism in North London was allayed, however: *The Boot Dance* is about robots, not boots.

Lazarus, who came to England with a black South African show, is played by Alton Kumalo who came here with the *musical King Kong in the 1960s*. A specialist in the eponymous dance—a sort of simplified gopak whose main interest lies in its execution in wellington boots—he has a nervous breakdown. We meet him in a singularly informal mental hospital where the West Indian orderly is obsessed with gambling and has a habit of wandering into the director's office at such crucial moments as when the latter is strapping red high-heeled shoes on a beautiful half-caste girl, apparently the only other patient.

Against Sarah Jane McClelland's vividly painted triptych depicting African figures, proud in traditional finery or tragically dispossessed, Alby James's stilted production fails to disguise the writing's fatal lack of detail. Despite dark hints of England playing with men's minds as apartheid plays with their bodies, Lazarus's anguish never amounts to more than the results of over-work and extreme culture shock. The West Indian's diatribe about Caribbean injustice is vague as to where responsibility lies, possibly a mere pretext for nurse and patient to clasp hands in theatrical solidarity for the Act I curtain. And Amanda Symonds's cockney half-caste, jigging to her ghetto-blaster in a constant state of aggressive intensity before coming out with the odd cliché, is no more than a case history.

The author's weaknesses are most apparent in a wildly caricatured doctor, the one white person in the play who, when not playing bowls on the green carpet of his office, reminds us of his mid-European background with frequent bouts of The Blue Danube and proves his cultural sophistication with his ability to hum "La donna è mobile." The increasing solipsism of much ethnic minority theatre is never more apparent than when its emphasis on roots leaves no room for the slightest interest in the durable roots of the old, complex and individual culture in which they complainingly find themselves.

Richard Wilson/Wigmore Hall

Andrew Clements

The Delmé String Quartet have built a considerable reputation over recent years by its championing of 20th century British composers, especially those of a more or less conservative cast. Now, though, it is spreading its net further afield, and at the Wigmore Hall on Monday evening secured the British premiere of the third *string quartet by the American*, Richard Wilson.

Wilson was born in Cleveland, Ohio, in 1941, and is currently professor of music at Vassar College in upstate New York. In the Guardian last week the radical musician, Christian Wolff, observed that there were over 3,000 "academic composers" in the United States, all of them desperate for an audience. On the evidence of this string quartet, it would be unfair to consign Wilson to the *anonymity of this earnest band*. His music is highly wrought and clearly focused, though without an individual profile. Its language has clear roots in early 20th century modernism: in the third quartet there is a good deal of Berg, with passing glances at Debussy and Bartok. But the models have been well-studied and thoroughly welded into a consistent and highly flexible idiom.

The programme notes for the Delmé's concert offered no information on Wilson's quartet, other than that it was written in 1982 and first performed in April last year, and that it fell *into three movements—a Prelude*, Episode and final Elegy. Without a score, it seemed possible to regard the first movement as a truncated sonata form, with *extended and discursive subject groups and a recapitulation that also functions as a* wispy, *frozen* coda. In the Wolff-inflection of the second, the Bergian influence seemed more obvious, but still shows the music's tendency to subside into inactivity, waiting for an impassioned outburst to set it off once again. The elegy offered the most striking and individual music in the 22-minute work, conveying the impression of a great emotional tension kept in the tightest check, with the slowness of the harmonic movement enclosing figuration of great inner activity, though a group with greater tonal resources than the Delmé might well have made more of its emotional peaks and troughs.

Dance Theatre of Harlem/Coliseum

Clement Crisp

The Dance Theatre of Harlem has a secure place in the affections of the London public, who respond to the whole-hearted energies of Arthur Mitchell's company. Very properly, at Monday's opening of a three-week season, at the Coliseum the programme began with a Balanchine piece—a homage to Mr Mitchell's own artistic roots and to the formative influence upon DTH's classic style.

The dancers' account of *Four Temperaments* was studiously exact as to the articulation of choreographic forms, but with a highly seasoned physical stress, peppery accents, that told much about the troupe's individual manner. The dance lived — not, perhaps, on New York City Ballet's gleaming terms—yet with an innate vitality that did not betray the Balanchinian ethos, and in Keith Saunders' performance of the Phlegmatic variation we saw an interpretation of exceptional integrity which brought out the beautiful continuing logic that sustains the choreography's varied moods and shapes. It was a grand and potent piece of dancing.

The melodramatic demands of *Agnes de Mille's Fall River Legend*, which came next, were also well met. It is a piece that stands or falls on the central roles of Lizzie Borden, her malign step-mother and her Pastor; the surrounding chatter of revivalist meeting and townsfolk asks for nothing more than a willingness to act as chorus, which the Harlem dancers do with as good a grace as one can hope for.

Nora Kaye, magnificently taut creator of the role of Lizzie, and Alicia Alonso and Sallie Wilson who were also outstanding in the part, have a worthy successor in Virginia Johnson. *Miss Johnson* plays with sure command of effect, from the distraught girl of the opening scenes to the chilling figure who conceals the axe in her skirts, and the hand-wringing Accused who gazes at the scaffold in the final pose. There is a thread of febrile, nervous unease to her reading, which never topples into emotional excess.

It is the control quite as much as the inner tensions of her performance that make it so commanding and persuade us that the piece is rather better than its routine dances. From Lowell Smith a fine, sensitive Pastor; and from Cassandra Phifer an absolutely beastly step-mother, richly deserving of the forty whacks.

The closing *Firebird* is John Taras' re-working of the traditional Holy Russian tale—using Stravinsky's 1945 condensation of the score — as a jungle incident. There is a lush tropic forest setting by Geoffrey Holder in which the action follows that of the Fokine original, with a young hunter capturing the Firebird, meeting a Princess and her attendant maidens (though Mr Holder makes them look more like a troupe of Las Vegas showgirls who have strayed from the *beaten track), and a horde of* monsters led by a Prince of Evil, who obligingly succumb to the Firebird's magic without much evident conflict, and an apotheosis in which everyone dons garish costumes and all ends as merry as a wedding bell.

Stephanie Dabney flashes and darts as the magic bird, and Donald Williams is a nobly charming Hunter, and this relocation of a score thematically redolent of Russian folk-song is brought to success both by the conviction of the DTH performance and by Mr Taras' well-made neo-classic *choreography. He pays passing homage* to Fokine and Balanchine, yet retains a fluent and musical identity entirely his own.

Donald Williams and Stephanie Dabney in Firebird

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 6–12

Theatre

LONDON

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Serjeant Musgrave's Dance (Old Vic): Notable cast headed by Albert Finney, Eileen Atkins and Max Wall in a limited season revival of John Arden's fine play. (928 7616).

Pygmalion (Shaftesbury): Peter O'Toole is ridiculously mesmerising as Higgins in an otherwise coarse revival of this resiliently entertaining play. John Thaw is a robust Doolittle, Joyce Carey a fragile Mrs Higgins, Jack Watling a compliant Pickering, Jackie Smith-Wood an earthy but dubiously Cockney Eliza. (836 6596).

Benefactors (Vaudeville): Michael Frayn's third play in London – he also has *Noises Off* and his Anouilh translation, *Number One*, at the Queen's – is a deft, menopausal comedy about love among the architects as the bottom drops out of the high rise boom in the early 1970s. Michael Blackmore's case are Patricia Hodge, Oliver Cotton, Tim Pigott-Smith and, best of all, Brenda Blethyn. (836 9988).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rusing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

Measure for Measure (Barbican): Juliet Stevenson as Isabell confirms her promise as the RSC's brightest young actress, a worthly successor to Ashcroft and Dench, in Adrian Noble's resplendent production. (628 8795).

Strange Interlude (Duke of York's): Glenda Jackson leads a superb revival by Keith Hack of O'Neill's five-hour threnody of sexual lament. The famous interior monologue device is turned brilliantly to stylistic advantage. Fine acting too from Brian Cox, Edward Pettherbridge, James Haxeldine. (836 5122).

***West Side Story* (Her Majesty's)**: *Classic musical returns to its original London home with a fresh young cast of good singers and dancers.* The thrills and spills of Bernstein's score and the Robbins choreography remain breathtakingly intact. (930 6606).

NEW YORK

Romeo and Juliet*: *Joseph Papp's Shakespeare Festival is performing in the city parks this year the Riverside Shakespeare company's version of Heartbreak in Verona. All performances free with the encouragement of bringing a blanket and picnic. (877 6810).

Sunday in the Park with George (Booth): Not your conventional musical. Stephen Sondheim's latest is an inspired pairing with director and playwright James Lapine to bring George Seurat's painting to life, with Mandy Patinkin as the painter and Bernadette Peters as his imagined girlfriend, Dot. (239 6262).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the apropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate *the career of a 1960s female pop* group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

CHICAGO

Three Moscowteers (Goodman Mainstage): The juggling Karamozov Brothers have adapted their own version of Dumas to post-Revolutionary Russia with a troupe of jug*glers and vaudevillians. Ends July 8.* (443 3820).

WASHINGTON

Henry V (Folger): Philip Kerr directs the resident acting company led by Edward Gero as the charismatic Henry to the field of Agincourt, facing John Wylie as King Charles. Marjory Wright, *the wife of the British Ambassador*, plays Mistress Quickly. Ends July 1. (546 4000)

Jerry's Girls (Eisenhower): After so many revivals of Hello Dolly, singer Carol Channing and songwriter Jerry Herman have found a new package for this fruitful collaboration. (254 3670).

NETHERLANDS

George Bernard Shaw's comedy, The Philanderer, about the difficult relationship between a man and two women, is performed from Wednesday to Sunday inclusive each week in the upper hall of the Stadschouwburg by the English-Speaking Theatre *of Amsterdam. Ends July 13.* (232 411).

ITALY

Spoleto – in the gothic church of San Nicolo: Les Sortileges performed by the TSE group from Paris. Fri, Sat and Sun.

Santa Fe Opera

Frank Lipsius

In its most ambitious programme to date, the Santa Fe Opera's 28th season ranges through opera history to combine contemporary works with the revival of one of the finest examples of opera buffa by a Mozart contemporary. Set in the New Mexico mountains seven miles north of Santa Fe itself, the company is a formal extension of one of the country's most prolific artistic communities, where painter Georgia O'Keeffe and varying musical traditions meld naturally in the dramatic setting of the mountainous desert.

This year's season opens with two German one-act operas, Alexander von Zemlinsky's *Eine florentinische Tragödie* and Erich Wolfgang Korngold's *Violanta* in a repertoire that also includes the American premiere of Hans Werner Henze's *We Come to the River*, Domenico Cimarosa's *Il Matrimonio segreto* and two productions using Andrew Porter translations, *The Magic Flute* and *Intermezzo*.

Conducted by John Crosby, the Zemlinsky work is based on Oscar Wilde's *A Florentine Tragedy*, which was never completed in the complications of Wilde's own London tragedy. Though teacher and brother-in-law of Arnold Schönberg and, as conductor of the Prague German Theatre, teacher also of conductor George Szell, Zemlinsky had been reduced to obscurity by the time of his death in 1942, an American exile living in the New York suburb of Larchmont.

The intrusion of the Prince of Florence, played by John Stewart, into the life of Bianca (Lisa Turetsky), and her boring merchant husband (Edward Crafts) fits the modern psyche well: though less romantic than the prince, the merchant gets the wife back, in an unexpected reconciliation of the married pair that shows that at one time businessmen *could* be romantic heroes.

Directed by Bliss Hebert, the two works contrast as well as complement each other. Korngold, who wrote *Violanta* when he was only 17, was a student of Zemlinsky. Soprano Mary Jane Johnson sings the title rôle in the story of fifteenth-century revenge, set in a frivolous adolescent view of Venice, the opposite of dark foreboding Florence, both as realised by production designer, Nancy Thun.

Violanta was greeted with acclaim on its premiere in 1916, but Korngold shared his mentor's fate in being forced into exile. He turned up in Hollywood, where he became noted for his work in film music, including the score for Robin Hood in 1938.

George Manahan conducts director Robin Thompson's production of *The Magic Flute*, which emphasizes Mozart's Freemasonry through Andrew Porter's elegant English. The production introduces a number of new voices to the company, including Sally Wolf as the Queen of the Night and Melanie Helton as the First Lady, and many familiar ones, like Sheri Greenawald (Pamina) and Karen Beardsley (Papagena), the recent Max in *Where the Wild Things Are* at Glyndbourne.

Composer Domenico Cimarosa was a contemporary of Mozart's who rivalled Mozart in his time – but not ours. *Il Matrimonio segreto* (based on David Garrick's English play, *The Clandestine Marriage*, but sung in librettist Giovanni Bertati's Italian) was produced throughout Europe in the wake of its original success in 1792 while Cimarosa was court composer to Leopold II. In a startling act that could only have been repeated again in our own time, Leopold was said to have been so enchanted with the performance that he fed the troupe and then made them give him a command performance (the precursor of the video cassette recorder).

Richard Strauss's *Intermezzo*, an autobiographical comedy, is paired with the last production of the season, the American premiere of Werner Henze's *We Come to the River*, in Edward Bond's English libretto.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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The case for a blind eye

THE CITY appeared last night to be less than convinced by the Government's Nelsonian response to what are, on the face of it, a thoroughly bad set of money supply figures. The Prime Minister, in the House of Commons, was simply dismissive: "I see no signal." Friends may describe this as the resolute approach; City critics are more inclined to see it as ostrich-like. Meanwhile, in Threadneedle Street, the message to the markets, through the Bank's bill operations, was as resolute as the Prime Minister could have wished, but the commentary was a little more explicit—and therefore a good deal wore persuasive.

In one sentence, the Bank's gloss on the money figures is that it happened last year, and we warned you it might happen again. To put the same point more technically, there seems to be a new seasonal pattern in central government borrowing which has not yet been captured in the seasonal adjustments. It is indeed true that at this stage last year the broader aggregates were overshooting even more strongly than they are at present, and the City was full of alarmist talk about government borrowing shooting out of control; in the event, all the targets were pretty squarely hit, and without a change of course. If other things were equal, hardly any more need be said about the subject. There is, as the authorities claim, no evidence at this stage that anything much is amiss in the domestic monetary scene.

However, other things are very far from equal. We are some way into an inconclusive coal strike which is for the time being putting a considerable burden both on the public purse and on the current account. On top of that we have a dock strike. In face of these and other tribulations public and international confidence in the Government and in British prospects generally has waned.

Offensive

The U.S. appears to have launched an international funding offensive, through the abolition of withholding tax and now followed by active attempts to devise bonds to tempt foreign investors, which is convincing enough to have driven the dollar to absurd new heights. Add an oil glut and an Opec meeting in tense circumstances and you have the worst possible background for a questionable set of money figures.

This set of circumstances has two quite different implications, for long and for short-term interest rates. So far as the long market is concerned, the City will have to brace itself for some more bad money figures in the next month or two. Funding was remarkably successful during banking June—which is one reason why the money figures came as a shock. Successful funding, it might have been hoped, would have produced quite good figures. In the current month, however, funding progress has been weak, and this is unlikely to be put right in the immediate future. It is possible to fund aggressively even in very bad circumstances, if the circumstances are clearly known, as British financial history demonstrates; but there is no sense at all in trying to fund aggressively in a situation of comprehensive uncertainty. The effort would simply spread further demoralisation. Practical monetary control does not involve the production of good figures every month, or an effort to suppress the market's natural retreat into liquidity when uncertainty is high.

Distortion

There is a reasonable case, then, for keeping a blind eye trained on the monetary statistics for a little; but there is very little case for adopting the same approach to the money and foreign exchange markets. The Government has evidently been willing to let the exchange rate take some of the strain of current uncertainties—which is again reasonable. What is not reasonable, though, is to try to prevent short-term interest rates taking some of the strain, too. Unles the dollar quickly boils over and money market rates subside, the Government can only hold the line on domestic borrowing rates at the cost of strained credibility and heavy market distortion. Here, the Nelsonian approach can be justified only for another few days, at most.

Britain's aims in Hong Kong

AFTER 21 months of negotiations with China over the future of Hong Kong Britain is faced, not for the first time, with a difficult and complex situation.

China appears to have introduced a new and unexpected element in the talks. Although Britain has refused to confirm this it seems to be faced with a demand for a joint Sino-British commission to oversee the 13-year transition of the colony to Chinese rule in 1997, the year the lease on the bulk of the colony runs out. Moreover, judging from what Chinese officials have been saying, such a body would not merely be a consultative group but one which would have a "supporting and co-ordinating role."

To the people of Hong Kong, who have been living on their nerves since the talks began in September 1982, this sounds ominously like a meddling watchdog which would undermine Britain's authority long before 1997.

The markets, already under pressure because of high interest rates in the U.S., have reacted predictably. Share prices in the colony have fallen sharply, reaching their lowest point since last September's financial crisis, while the Hong Kong dollar also suffered its worst drop in months.

Tolerance

The idea of increasingly close co-operation between Britain, China and the people of Hong Kong in the run-up to the transfer of sovereignty is, in principle, a good one. Capitalist Hong Kong is so vastly different from Communist China that preserving its "prosperity and stability" after sovereignty passes to China in 1997 will require an unprecedented degree of insight and tolerance on Peking's part. Communist officials have a great deal to learn about how the territory functions and they cannot be expected to do so overnight when sovereignty changes hands. Some mechanism, therefore, needs to be found to ease them into the driving seat well before 1997.

Whether it would be wise to concentrate this exercise in the form of a single commission is another matter. Such a body would, in time, inevitably become a kind of backroom government. It is already being interpreted in Hong Kong as an attempt by China to take over the effective running of the colony before 1997.

Britain should, therefore, resist the idea of a structural approach, pointing out, as the Chinese often do in support of their own case, that sovereignty is indivisible and, that, until the Union Jack is lowered over Hong Kong, responsibility for governing it must rest with the UK.

Negotiating with the Chinese is never simple, however, and it may be that the idea of a joint commission has been introduced by Peking at this stage as a bargaining counter in the face of Britain's insistence on a detailed agreement between the two sides before September's deadline.

If this is the case then there is all the more reason, first, to resist the idea in its present form and, second, to press for an agreement which binds the Chinese publicly to as detailed a commitment as possible to maintaining the status quo in Hong Kong after they take over.

Pragmatic

Britain should not regard the September deadline, imposed by the Chinese for apparently arbitrary reasons, as sacred. A bad agreement would be worse than no agreement at all in the circumstances, especially if all that was required to make it more acceptable to the people of Hong Kong was more time and thought.

Britain has few cards in these negotiations. The hope must be that Peking's pragmatic leadership wants to recover Hong Kong in reasonably good working order, first, because this would greatly facilitate the eventual recovery of Taiwan and, second, because access to foreign capital and technology through Hong Kong would assist in the modernisation of China's backward economy.

If this assumption is valid it is as important to China as to the UK that an agreement is reached which avoids a disastrous loss of confidence in Hong Kong. The British negotiators must hold out for a deal which is sufficiently detailed to demonstrate to the people of the territory that China's commitment to maintaining its prosperity is more than mere rhetoric.

NEW U.S. INVESTMENT

As Japanese as apple pie

By Terry Dodsworth in New York

BATTLE CREEK, sandwiched between Lakes Michigan and Huron, is the home of Kellogg's Corn Flakes, a concoction originally devised by a strict Seventh-Day Adventist intent on developing a non-meat protein. The city now houses what sounds like an equally bizarre business venture—a Japanese chewing gum company.

Taking on the might of Wrigley (sales last year of $582m, market share 60 per cent) from a base of virtually nil, might seem to be a forlorn venture. But Lotte, the leading confectionery manufacturer in Japan, is embarking on the long slog up the mountain with typical Japanese patience. Mr Tatsuo Suzuki, a Lotte executive, expresses surprise when asked of the company's self-confessed problems in establishing a distribution network might force it to quit the U.S. market. "We expect to make a profit in the year to March 1985," he insists.

Lotte is an example of the new generation of Japanese companies moving into the U.S. as the wave of investment from across the Pacific advances into a mature phase. A large proportion of the household names of Japanese industry now produces goods in one way or the other in the U.S.

The Japanese have built up their U.S. interests at an explosive pace. In 1973, Japanese investments in the U.S. amounted to $152m, only 0.7 per cent of total foreign investment. By 1981 this figure had grown to $7bn, and in 1982 jumped again to $8.7bn, rising in the latter two years from 7.7 per cent of total net foreign investment to 8.5 per cent.

This surge still leaves Japan well behind the UK, which had investments of $23.3bn at the end of 1982 (after a $7.7bn leap in one year), the Netherlands ($21.4bn), and Canada ($9.8bn). But it has now overtaken West Germany ($8.2bn), and is well ahead of France ($4.7bn).

The relative strength of the Japanese investment drive can be traced to a number of separate factors. The first, and most obvious, is the rise of protectionist pressures. "Trade issues such as dumping were just beginning to emerge when we bought our factory from Motorola in 1974," says Mr Keiichi Takeoka, president of Matsushita Corporation of America. "One of our reasons for the investment was to avoid such unnecessary conflicts."

These pressures were themselves caused by the extraordinary success of Japanese exports. Only Volkswagen in the 1950s has shown anything like the results which a whole range of Japanese companies have achieved over the last decade, as the country has swept forcefully on to become the U.S.'s principal trading partner.

The figures speak for themselves. Japanese exports to the U.S. in 1983 amounted to $41.2bn, while overall trade between the two countries reached $63bn, double that of seven years ago, and three times what it was a decade ago.

Major Japanese acquisitions and investments in the U.S.

1971:	Kyocera International, the ceramics producer for integrated circuits, builds plant in San Diego, California.
1972:	Sony establishes $200m television plant in San Diego, California. In 1977, Sony builds an audio/video cassette tape plant at Dothan, Alabama.
1973:	Fujitsu takes 30 per cent in Amdahl, the Californian computer manufacturer, later increased to 47 per cent. ● Mitsui and Nippon Steel take 50 per cent in Alumax, the aluminium company.
1974:	Matsushita Electric takes over Quasar Electronics, a Chicago television manufacturer owned by Motorola.
1977:	Sanyo acquires 75 per cent stake in colour television and microwave oven plant at Forrest City, Arizona. Sanyo opens a stereo equipment and refrigeration plant in San Diego, California.
1979:	Sharp opens new television set and microwave oven plant at Memphis, Tennessee.
1982:	Honda Motors begins car production at Marysville, Ohio, the first Japanese car factory in the U.S.
1983:	General Motors and Toyota agreement on joint manufacture of sub-compact cars at GM's mothballed Fremont plant in California. ● Fuji Bank buys Heller International. ● Nissan opens its truck plant at Smyrna, Tennessee, now being expanded to make cars as well.
1984:	Nippon Kokan agrees to buy 50 per cent of National Steel. ● GM Fanuc, a joint company owned by GM and Fanuc, announce plans to build a robotics manufacturing plant in U.S.

The U.S. bought 25 per cent of Japan's total exports last year. Although Japan took about 10 per cent of U.S. exports, or the equivalent of America's combined exports to West Germany, France and Italy, it was still left with a $20bn deficit on its Japanese trade—an underlying stimulus to protectionism which the Japanese cannot ignore.

This expansionary surge by the Japanese has created some very large businesses, even ignoring the big car groups, which inevitably dominate the scene because of the high unit value of their sales.

Matsushita, for example, had a turnover of $2.8bn in the U.S. last year (about 20 per cent of its total), which would place it around 140 in the Fortune list of top U.S. groups, while Sony generated sales of $1.3bn. As a result of the enormous success of the consumer electronics groups, Japanese manufacturers now control perhaps 30 per cent of the U.S. television market, and as much as 60 per cent of video recorders.

A further factor in the investment jump was the shortage of raw materials and other resources in Japan. This is clearly underlined by Alaska's position as one of the leading states after California to have attracted Japanese companies —a choice dictated by Japan's heavy investment in the fisheries industry. Similar reasoning has brought Japanese finance into the U.S. lumber industry and into metals. One of the biggest Japanese investments before the car industry and the banks started to arrive was made back in 1974 by Matsui and Nippon Steel in Alumax, a joint 50/50 venture with Amax in aluminium smelting and fabrication.

This initial $350m agreement has gone from strength to strength, creating a group with 91 plants and 13,000 employees and involving a further large-scale investment last year with the $250m takeover of Howmet, another aluminium producer.

Finally, the Japanese have been drawn by the narrowing of the gap between domestic costs and the expense of operating in the U.S. Some companies claim that the shopfloor wage package is now higher in Japan than in the U.S., and even if overall costs are lower (because of better Japanese productivity, or the larger salaries of American managers), this may be balanced by the expense of transport.

Three Japanese television companies (Matsushita, Sony and Sanyo), seem to have been heavily influenced in their U.S. investment decisions by the cost of shipping what are effectively large boxes.

Unlike many European companies, the Japanese who have come have also tended to stay. There have been relatively few disinvestments—only about six or seven according to Jetro, the Japanese overseas trade bureau —an astonishing performance compared with the record of other countries.

'If you give U.S. employees the right product and motivation, they can do a high quality job'

Jetro makes the point that before Japanese manufacturers set up in the U.S., they tested the market well—much better, probably, than many European invaders. This preparation meant that they built up the financial, marketing and technological strength to take on the U.S. competition.

The success of the Japanese also suggests that they had something more positive to give to the U.S. business scene than some of the Europeans. Too often, the Europeans have invested in North America to sell similar products to those already available, made in plants which operate on American-derived systems, and backed by a parent company whose financial base was much less powerful than the U.S. competitors'.

The Japanese, on the other hand, have been able to score in several original ways. First, they have frequently been a technological jump ahead of the Americans. This is clearly true in consumer electronics and cars, where the Japanese have cut a swathe through the domestic industry with products which are often seen as technically superior

Typically, the Japanese refine a product at home, test and adapt it in the U.S., build up a distribution network and only then consider U.S. investment.

In areas where there is no domestic Japanese market, the competitive pressures are palpably less: General Electric, for example, is taking the Japanese threat in the microwave oven market very seriously, while not worrying particularly about the dishwashing sector, where Japan has virtually no domestic market.

Similarly, in the steel industry, Mr Howard Love, chairman of National Steel, has justified the sale of 50 per cent of the U.S. group to Nippon Kokan, the Japanese group, on the grounds that National had to make a "leapfrog" technologically. "The well-proven technical excellence of NKK in the world steel industry will be an asset to the continued success of National Steel," he says.

Secondly, Japanese management systems have in many cases proved to be sufficiently adaptable to give their U.S. operations some pay-off in terms of productivity. By no means all the Japanese have tried to introduce their own methods. Some prefer to adopt an American image while in America.

Even so, the concept of teamwork as opposed to aggressive adversarial management has ben skilfully injected into many of the plants, occasionally by training U.S. workers in Japan.

Thirdly, Japanese production systems have introduced a new tyep of thinking into an industrial structure hooked on the early 20th century concept of Taylorism—productivity based on time-and-motion work units related to the continuously moving production line.

The overriding emphasis in Japanese plants, as palpable as the relentless treadmill atmosphere in a conventional automated plant, is on quality. Indeed, apart from finance, quality is the only managerial function over which virtually all the Japanese companies seem to have maintained very close control.

"Many managers complain that the American worker is just not interested in producing a quality product. I think that is terrible," says Mr Richard Kraft, chief operating officer at Matsushita's television plant in Chicago. "We have proved here that if you give employees the right product, the facilities and the motivation, they can do a high quality job."

The drive for quality has a pervasive influence. It means adjustments to the production line, where systems have been rejigged to allow workers to programme the conveyor belts and give themselves additional time on a job when they need it. It also means a different work atmosphere because the quality idea cannot be communicated if management and the workforce do not talk to each other.

"I think it is a fantastic company," says Mr Nick Baum, an engineer at Hi-Flex, a Japanese company at Battle Creek. "We get informed on everything—sales, profits and expansion plans—and the company has a very good rapport with the employees."

In addition, the emphasis on quality often means a higher rate of investment. According to a Commerce Department report in 1981, Japanese affiliated companies in the U.S. reinvested 90 per cent of their earnings in the country, against 62 per cent by the Europeans, and only 49 per cent by the Canadians.

After 25 years of a steadily accelerating Japanese presence in the U.S., some officials believe that the expansion will now begin to slow. Mr Jim Heffinger, head of the Battle Creek industrial park, and responsible for bringing Lotte and three other Japanese companies to Michigan, believes that now most of the big Japanese companies have a U.S. presence, the trend will be towards smaller companies and expansion of those that are already established.

Even if there is some slowdown, however, the Japanese are likely to become increasingly important in the overall picture of inward investors. This year alone there have been announcements of major expansion projects at Nissan and Honda, along with reports that Mazda is also considering an investment, and the $550m Nippon Kokan acquisition at National Steel:

The yen may also play a part. Although many Japanese say that currency considerations have not had a major role in their decision-making up to now, a further appreciation of the yen is likely to tip the scales in favour of yet more U.S. investment. The U.S. has been aiming for just this by its pressure for a further opening up of the Japanese capital markets, so it ought not to be surprised or unhappy if the Japanese investment wave continues.

Men and Matters

Bonnie, bonnie banks . . .

Scottish investors may be canny, but they are very loyal. "Once you've got them they stay with you for years," says CPU Computers' chairman, Tom Fitzpatrick, himself a Scot.

This is why Fitzpatrick is taking his hardware and know-how from Woking to Edinburgh today to persaued the Scottish institutions to invest in his company—Silicon Valley invading Silicon Glen, as the company puts it.

Fitzpatrick at 46 is a dynamic character. Son of an Edinburgh postman, he doesn't think his day-long presentation at a conference centre just outside Edinburgh could make high-tech operators up there resent his attempt to steal Scottish investment funds.

"CPC may be looking for expansion sometime soon," he says. "I'm not going to say it will be in Scotland. It will be wherever we think the best prospects are."

The other love of his life is ski-ing. So CPC is organising a summer downhill race at Tignes in France for 12-18 year-olds with Fitzpatrick himself in charge—"the first time I've managed a ski race, although I am a regular skier."

The race—on July 26 and 27 —will be run on glaciers 3,0000 metres above sea-level. To deal with the statistics, there will be his company's showpiece, an Octopus Computer—"a great treat for the young competitors, but also showing that Octopus can work at 3,000 metres up."

Science lesson

In the ceaseless search for new markets, Glaxo seems to be stretching the limits of science. It seems that the company's new ulcer drug, Zantac, is now being marketed to dolphins.

According to Glaxo's monthly employees' newsletter, Sandy, a seven-year-old dolphin at an aquarium in Durban, suddenly waved her flippers and stopped "speaking" to her mate. A vet decided that Sandy had ulcers.

"Dolphins are complex and highly-strung animals and as prone to ulcers as any high-powered businessman," says Professor Alan Bowmaker, director of the aquarium.

But chief dolphin trainer Martin Fothergill says Sandy is now back to her normal self after treatment.

Off the buses

David Quarmby, head man of London Transport's buses, is leaving LT at the end of October to join Sainsbury. He will be staying in transport—at the end of next year he will be made board member with responsibility for distribution at Sainsbury when Len Payne retires.

But it will be a very different type of transport management to his present position where he manages a fleet of 5,600 buses, one of the biggest operations in the world.

The announcement of his departure was delicately delayed until after the transfer nearly two weeks ago of LT from the Greater London Council to the Government. Quarmby, 43, was appointed to the board of the new London Regional Transport by Nicholas Ridley, Transport Secretary. Implicit in his appointment was that he would run LT Buses when it is set up as a separate company next spring under LRT.

Quarmby leaves at a time when the wind of competition is blowing through LT. The legislation setting up LRT encourages private sector operators to run buses in London, either under contract to LRT, or not, if the Traffic Commissioners deem them worthy operators.

Visions of shared taxis vying with red double-deckers are clearly in Ridley's mind, even if a challenger to LT's bus monopoly has still to be found. Quarmby could well find that the private sector offers a quieter life than the rigours of reporting to the free marketeering advocated by Mr Ridley.

Master builders

There was little cheer for Peter Palumbo when Michael Montague launched his last annual report as chairman of the English Tourist Board yesterday.

Montague steps down next March after six years at the ETB, where one of his jobs is trumpeting our national heritage. In business life, he is chairman of Valor, the domestic heaters to energy group.

Asked what he made of Palumbo's proposal to build a Mies van der Rohe tower opposite the Guildhall, Montague said Palumbo had approached him for a reaction.

"I was very careful in my reply," Montague said. "I said I'd noted his drawing and I thought it surprising that we couldn't identify a structure which would blend in with the surrounding buildings . . . I said van der Rhoe is more appropriate to New York city than it is to the City."

Palumbo is in good company in Montague's bad books. The ETA chairman welcomed the Alton Towers plan to make a theme park of Gilbert Scott's Battersea power station, a building Montague describes as "an obscenity."

"When it was listed, which I thought was astonishing, I said I regarded it as a building of outstanding uselessness. I thought it was ugly when it was built and it's not got any prettier."

Battersea power station was built in 1933 and Montague was born in 1932.

Dear reader . . .

The Book Marketing Council, the discretionary division of the Publishers' Association, which stands in the front line of troops trying to persuade more than 30 per cent of us who buy a book a year to buy a book, has just held its annual conference in London. It wasn't so much a bookish as a bullish affair.

Promotions — in particular book promotions which stimulate controversy and attract coverage of books in hte media, like the "Best of British" campaigns for novels, young novelists and, most recently, "Novels of Our Time" — actually work.

Results of unit sales achieved may be statistically unreliable, as Michael Pountney of W. H. Smith briskly pointed out, but the collective effort of publishers, booksellers and ballyhoo from the backroom persons at BMC's Bloomsbury offices seems to have a cumulative effect.

Maggie van Reenen, who took over from Desmond Clarke as BMC's director last January, reminded the bookmen and women who make up the membership that, unlike the Milk Marketing Board, which owns the product it markets and promotes almost as soon as it leaves the cow, the BMC has no such control.

"Everything we do depends on the efficient cooperation of other people," she says.

Better liaison all round is the watchword for the next 12 months which will include promotions for Writers on War—20 books selected for their literary contribution to the understanding of armed conflict — and Baby Books, 15 titles for very young children.

Observer

UK defence procurement

The chill breeze of competition

By Bridget Boom, Defence Correspondent

THESE ARE stirring times in British defence. Mr Michael Heseltine, Defence Secretary for 18 months, is battling to streamline Whitehall's most cumbersome ministry. Next week, despite the opposition of the three service chiefs, he is due to present to Parliament a White Paper detailing what could prove to be the most radical reorganisation of the ministry for 20 years.

He apparently has the full support of Mrs Thatcher, the Prime Minister, and Cabinet colleagues for measures which will centralise decision making, greatly diminish the power of the service chiefs and cut many top-level posts.

Less well publicised, but almost as controversial, is Mr Heseltine's drive to submit the MoD's £7bn-plus weapons bill to more rigorous competition. A cooler atmosphere is already apparent in the once cosy relationship between the MoD and the defence industries.

Britain's defence contractors have cautiously welcomed the new competition policy, though they privately accuse Mr Heseltine of inflexibility and worse. But trenchant public criticisms have come from the Commons Select Committee on Defence.†

Though the all-party body supports Mr Heseltine's intentions, it has urged him not to push the policy "to the point where delays, extra staff work, loss of economies of scale and loss of rapport with industry outweigh the possible benefits."

Debate over government policy* towards the defence contractors has been enlivened by prospects of a controversial merger between British Aerospace and GEC. Both among the Defence Ministry's top ten suppliers, together they could take a fifth of annual MoD contracts.

Also at stake is the whole future of defence spending, with MoD budgets dogged by the need to afford increasingly *sophisticated and costly* equipment. This year's budget is £17bn, nearly half for weapons systems. The MoD claims to be British industry's largest single customer, buying 45 per cent of the aerospace industry's output and 20 per cent of the electronics industry's.

The key new policy measures are:

● *The MoD will put contracts* out to tender wherever possible. In 1982-83 only some 20 per cent by value of contracts totalling £6.8bn were awarded after direct competitive tendering.

● The MoD will now expect a prime contractor to introduce competition wherever possible in sub-contracts.

● Competition in the early stages of projects to widen the MoD's choices and to stimulate new ideas.

● Contractors developing a weapons system will not now automatically get the initial production orders. This is a new departure, and is the one to which contractors seem to have the strongest objections.

● Competition will be introduced where it often did not exist before, with support, supply and maintenance services for the Army, RAF and Navy being "contracted out."

Ultimately perhaps the most telling criticism of Mr Heseltine's measures is that *the* structure of the defence industry in Britain will severely limit their effect. For most major weapons systems, there is only one source of supply: the MoD has no choice, unless it takes a much more radical route and goes overseas, to buying military aircraft and most missile systems from BAe, warships from British Shipbuilders, torpedoes from GEC Marconi or helicopters from Westland, to name only the most obvious.

Another limit is that many contracts are for research and/or development, where the MoD is unwilling or unable to fix a price in advance. Efforts to change this and tauten contract terms were made by Mr Heseltine's predecessor, Sir John Nott, but the Ministry's most recent figures illustrate the continuing problem. Of contracts worth £6.8bn placed in 1982-83 £4.3bn were on a non-competitive basis, with £3bn of that total *being with a "single source"* supplier and priced on a forward estimate, and only £145m having any inbuilt incentive terms, such as a target price. Over £1bn was let on an open-ended, "cost-plus" basis.

However, the value of contracts let on a competitive basis, mainly for a fixed price, has increased, from £890m in 1980-81 *to £1.4bn in 1982-83.* Without putting a value on the figure, the MoD says that close monitoring has revealed that 49 per cent of the contracts placed in the first four months of this year were let after competition But Mr Heseltine sensibly refuses to set a target for the future.

Mr Heseltine believes much can be achieved by competition among subcontractors, and is impressed by Marconi Underwater Systems, which claims to be putting 90 per cent of its work on Stingray and other torpedoes out to contract. But subcontractors are less sanguine, saying that in lean times prime contractors will keep more work "in-house."

For industrialists the most unpopular measure seems to be that which takes away from

Public welcomes and private mutterings . . .

development contractors their traditionally almost automatic right to production orders.

The Defence Committee summed up their worries: if companies were awarded orders only in limited tranches, economies of scale could be lost; those not undertaking development work might be unwilling to tender for subsequent production orders; while the general uncertainty created could result in an unwillingness by companies to offer new ideas to the MoD or use their own money for research.

It is in this area in particular that industralists complain of Mr Heseltine's inflexibility, a charge denied on his behalf by officials. They cite three major contracts which have recently been subjected to ministerial *scrutiny, only one of which, in* the event, is to be subjected to the full blast of the new policy. GKN-Sankey, which has a development contract for the MCV-80, a new infantry armoured vehicle, will get the first production order of 250 vehicles but the remaining batches, *probably amounting to* 750 vehicles, will be open to tender.

However the policy is not being applied to a big tank contract. Mr Heseltine announced only last month the award of a further order of 62 Challenger tanks to the Royal Ordnance Factories, on the grounds that it was too late in the overall contract to consider switching to another supplier.

In the third case, Plessey has been awarded the main production contract for the Army's tactical communications system, Ptarmigan, which it developed. The company says it now has a good contract, based on a target price with built in incentives. It believes however, that Mr Heseltine was only finally persuaded not to open subsequent orders to competition by the probability that if the contract was put out to tender it could delay deliveries for two years, and could lose the company the chance of winning a good slice of a $3bn contract for Ptarmigan for the U.S. Army.

Among other criticisms of the new policy is that the MoD, already short of project management skills, will be hard pressed to monitor the new *policies. Industrialists fear this* will result in delays in decision making.

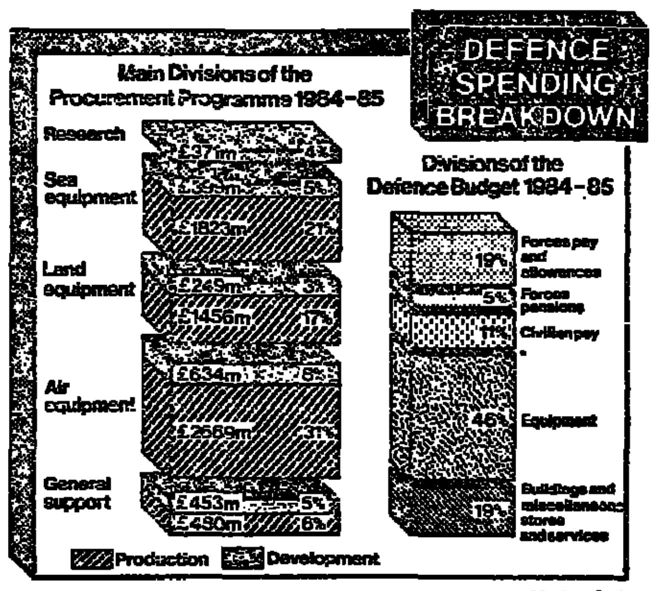
Sir Frank Cooper, the former Permanent Secretary at the MoD, says that the problems of defence procurement are "stunningly complex," and the difficulties of doing something about them "always underestimated."

He is keen to boost arms exports so that production lines can be lengthened; he is personally involved in trying to push greater arms collaboration within Europe, and is open to (selective) foreign tendering to increase competition in contracts. However, it is far from clear whether he would be prepared to endorse the solution canvassed by some experts who hold that most contracts should be opened to foreign competition and that collaborative arms production within Europe is essential if Europe is to be able to withstand competition from U.S. defence industries.

Sir Frank believes that tackling defence procurement successfully will require a more radical approach and will take a decade or more. His remedies include building more foreign weapons systems under licence (which he claims would retain jobs but cut excessive spending on R&D), more effective multinational collaboration as well as the paring of R & D spending so that Britain will ultimately produce a narrower range of equipments more efficiently.

With the advent of Mr Heseltine, a chiller wind has begun to blow in the once cosy confines of the MoD's procurement processes. But if Sir Frank's analysis is correct, it may have to get a lot chillier yet.

Mr Heseltine himself accepts that his new policies can only attack part of the problem and that a range of other remedies must be employed in trying to make the best use of scarce resources.



Marion Sedger

* *Value for Money in Defence Equipment Procurement, Defence Open Government Document 83/01; Industrial Policy Division, MoD, Whitehall.*

* *Statement on the Defence Estimates 1984 Vol 1; HMSO, £4.*

† *First Report from the House of Commons Defence Committee: Statement on the Defence Estimates 1984; HMSO, £6.55.*

British industry

What the closed shop has done for unions

By Rodney Atkinson

RECENT GOVERNMENT legislation requires periodic confirmation of closed shops through ballots of the workforce. As members of trade unions vote on whether they wish to retain closed shops it is appropriate to see what connection there may be between the closed shop and successful representation of workers' interests.

Closed shop arrangements in Britain affect some 5m of the 22m workforce. The percentage of those covered rose from 16.4 per cent in 1961 to 23 per cent in 1979. However, since then many jobs have been lost in traditional closed shop industries such as engineering, textiles, coal and printing while jobs have been gained in areas where unionisation and closed shops are weak, eg professional services, banking, catering and hotels. The percentage of the workforce covered by closed shop agreements has therefore declined.

As the increasing white-collar workforce seeks to establish bargaining positions in growth industries, it is time to examine the success of closed shops in terms of their defence of members' jobs and the increase in members' pay. These two criteria are weighted equally in the table, which covers 15 different standard industrial classifications with minimum closed shop penetration ranging from 87 per cent (in mining *and quarrying) to 5 per cent* (in miscellaneous services) as determined by a London School of Economics study in 1978. Points in the range 1-5 are awarded for relative success in maintaining employment between 1978 and 1982 and in achieving wage rises between 1976 and 1982. These years cover short and roughly equal periods of modest growth, boom and recession and therefore offer a reasonable assessment of trade union ability to represent their members in very different economic climates.

The total score in the table is an attempt to assess the correlation between success in maintaining employment and wage rises and the degree of trade union control through the closed shop.

The following characteristics are considered of considerable advantage to the operation of trade unions and therefore one point is deducted for each from the total to produce the net score:

● No or very low import vulnerability;
● Public sector ownership;
● High concentration.

However, high concentration, public ownership and high closed shop coverage alone will not guarantee trade union bar*gaining power, as the shipbuilding/marine sector shows.*

Making allowances for industrial structure, there seems to be no correlation between closed shop coverage and worker success in maintaining employment and wage rises. Some of the highest levels of closed shop coverage—ship*building and metal manufacture*—have the lowest success ratings while sectors with the lowest closed shop coverage—insurance, banking, electrical engineering and miscellaneous services—have the highest scores. The least successful unions operate in sectors which have been in decline—shipbuilding, metal manufacture and mechanical engineering.

The following conclusions can be drawn about the strength of the closed shop in promoting the interests of workers.

1—There is no correlation between the strength of the closed shop in an industrial sector and the defence of jobs and wage levels.

2—The closed shop can be effective only where other forces are operating to protect the employer: low import vulnerability, public sector ownership, monopoly or high industrial concentration.

3—*The stronger the closed* shop influence the more workers will be able to achieve high wage levels but the less they will be able to preserve employment.

4—The weaker the closed shop influence the greater the probability of maintaining employment levels.

5—In the short run workers in industries with high closed shop coverage in protected sectors can be as successful as those in growth sectors with low closed shop coverage.

6—In the longer term the most successful workers are most likely to be in growth industries where the closed shop has not had time to become established.

Rodney Atkinson is a former merchant banker who has published several papers on economics and energy policy.

THE EFFECTIVENESS OF THE CLOSED SHOP IN BRITISH INDUSTRY

Industry	Minimum % in closed shop	Change in employment 1978-82 (%)	Worker success score	Rise in earnings 1976-82 (%)	Worker success score	Total score	Discount	Net score
Mining, quarrying	87	− 7.6	3	137	4	7	3	4
Gas, water, electricity	80	0	4	134	4	8	3	5
Paper, print, publishing	66	− 7.7	2	134	4	7	2	5
Shipbuilding, marine	57	−18.6	2	109	1	3	2	1
Transport, communication	56	− 6.7	3	113	2	5	1	4
Coal, petrol products	55	−35	1	143	5	6	1	5
Metal manufacture	50	−36	1	108	1	2	—	2
Mechanical engineering	45	−22	1	114	2	3	—	3
Other manufacturing	41	−26	1	110	1	2	—	2
Food, drink, tobacco	38	−11.6	3	122	3	6	—	6
Bricks, pottery, glass	33	−20	2	115	2	4	—	4
Chemical, allied	32	−11.3	3	125	3	6	—	6
Electrical engineering	30	− 9.3	3	118	2	5	—	5
Insurance, bank finance	6	+10	5	129	3	8	1	7
Miscellaneous, catering, hotel, repairs, etc	5	+ 5.7	5	111	2	7	1	6

Letters to the Editor

Are underwriters necessary?

From Mr K. Tunstall

Sir,—*With City underwriters* threatening to boycott government share sales or demand higher underwriting commissions following the Enterprise Oil saga, I'm prompted to ask whether government issues need to be underwritten?

Analogous to a government share sale is the issue of new government stock. At generally £1bn, issues of government stock exceed in value most share offers, yet are never underwritten. Any stock not applied for at tender is subsequently fed to the market as a "tap" when demand arises. Couldn't a similar arrangement apply to *government share sales?* In the event of undersubscription, the effect of unsold shares held by the government broker would be similar to the effect of unwanted shares held by City underwriters; either way large lines of shares would be overhanging the market.

Keith Tunstall,
*39 Grove Street,
Leamington Spa,
Warwicks.*

Coverage of the arts

*From the Editor,
Channel Four News*

Sir,—While accepting that Channel Four news had one of the best ideas for miners strike coverage in commissioning reports from Ian MacGregor and Arthur Scargill, Chris Dunkley (July 4) goes on to claim that our coverage of subjects like the arts "looks increasingly tokenism."

The programme remains as committed as ever to coverage of the arts and in the 20 months we have been on the air there have been 258 arts stories—an average of three per week, rather more than the "occasional gestures" Mr Dunkley claims.

Some examples: Channel Four news was the first TV programme to cover the financial crisis at Riverside Studios, the possible demise of Calke Abbey, the artistic ramifications of the abolition of the metropolitan authorities and the attempt to keep the Duccio in Manchester — with the first interview with the director of the Getty Museum. No other news or current affairs programme in Britain has devoted anything like the amount of time to arts coverage that we have done and will continue to do.

Like Mr Dunkley, I am an admirer of the Newsnight programme, but even their own arts reporter, Joan Bakewell said recently of Newsnight's arts coverage. "It's not so much that they don't want it but rather that the system doesn't quite yield. In that sense Channel Four is much more open and Channel Four news carries a lot of arts stories."

Company tax bills

*From the Director General,
National Council Of Building
Material Producers*

Sir,—Your report (July 3) *about the Chancellor's speech* says that he questioned the calculations of the Institute of Fiscal Studies which showed that company tax bills would rise as a result of his spring Budget. It may be, as he suggested, that the sample of 4,000 companies was not representative of industry and commerce as a whole. *While service companies may do* well out of the Budget it is by no means clear that manufacturing industry, which is capital intensive, will not suffer higher tax bills.

Manufacturing industry is the life-blood of the economy and the Chancellor would do well to be more concerned about its future.

Nigel M. Chaldecott.
*33, Alfred Place,
WC1.*

Taxing times at the ports

*From the Director-General,
Institute of Directors*

Sir, — Following Andrew Taylor's article "Taxing times at the ports" (June 26) I draw attention to the discussions which this institute has been having with the financial institutions since the Chancellor announced his proposed changes in the payment of VAT.

Negotiations are now finalised to provide sufficient cover, amounting to over £200m for full trading members of the institute, who are also members of the Institute of Freight Forwarders Mutual Insurance Company. Any full trading member may apply for a shareholding in IFFMI.

This will facilitate the clearance of imports to some degree, but because of the large sums of VAT involved, the rules of IFFMI require members to retain control of goods until the importer has paid them the VAT, either by a cash deposit, a bank draft, or a cleared cheque.

As mentioned (July 3) several trade organisations, including our institute, are seeking a meeting with Mr Barney Hayhoe, the Treasury Minister of State, in order to explain that bank guarantees alone will not prevent congestion in our *ports and airports.*

Gordon A. Brown,
*9, Paradise Road, Richmond,
Surrey.*

Difficulties for importers

*From the Managing Director,
Brendan Butler (London)*

Sir,—Your Economic Correspondent's report (July 3) is an admirable summary of the difficulties which importers fear may occur when the new arrangements for payment of the VAT due on imports take effect on October 1 next.

The requirement to provide a bank guarantee on top of the direct debit facility is indeed questionable, but perhaps even more important, and possibly unknown to intending applicants for relief under the new arrangements, is the fact that bank guarantees cannot be provided *at this time since, in the* words of one of the big five clearing banks: "At this stage, however, the wording of the new bond has not yet been agreed by the Committee of London Clearing Banks with HM Customs and Excise, and regrettably I have to tell you that no guarantees can be given *for the time being.*"

There would, therefore, appear to be little point in applying for relief under the present requirements and it is to be hoped that either the guarantee requirement be dropped, or that the wording can be agreed in time for applicants to obtain their relief approval before October 1.

R. B. Butler.
*P.O. Box 8,
Doman Road,
Camberley, Surrey.*

Naught for the widows

From Mr N. Ross.

Sir,—I was interested to read the letter from Mr P. Richer (July 4) and agree entirely with his observation that when paying a death claim insurance companies should allow interest for the period of time from the date of death to the date of settlement. I submit that, whatever the reason for the delay, because the insurance company is still holding money which now no longer belongs to it interest should be paid automatically.

Unless and until all insurance companies adopt this system, and in fairness one or two do pay interest automatically on this basis, I would suggest that it is in the interests of the dependants of the life assured to have the policy written on a basis which will help to reduce to the shortest time possible the period which elapses between death and settlement. Without going into a lot of technical detail, if a policy is written in trust and trustees are appointed then there is no requirement for the insurance company to see grant of representation to the estate and it will pay on production of proof of death, i.e. death certificate, against the signature(s) of trustee or trustees.

Whereas many policies are written in trust with the trustees appointed being members of the same generation as the life assured, there is a lot to be said for appointing one or more trustees from succeeding generations thus trying to avoid the unfortunate situation which can arise where the appointed *trustees all predecease the life* assured thus losing the advantage of immediate settlement by the insurance company.

N. Ross,
*John Reynolds and Co.
(Life and Pensions,
Byrom House, 21 Quay Street,
Manchester.*

Floating Jaguar

From Mr R. Thomson

Sir,—The FT Motor Industry Correspondent (July 7) kindly advises that "Jaguar's independence wil be protected until 1999." In 1972, Jaguar Cars was shown on the prospectus for BLMC loan stock 1982-87 as one of the "guaranto subsidiaries," Last month I wrote BL asking whether Jaguar would continue as guarantor after its separate flotation, and received a one-sentence reply signed by a Mr R. D. Gilbert, "*Jaguar Cars is not a guaranteeing subsidiary.*"

I have since written Mr Gilbert asking, as a matter of urgency, when and in what circumstances Jaguar was released from its obligations in regard to the loan stock but have received no reply of any kind. I *wonder whether* any readers could supply the answers regarding Jaguar's independence from its earlier responsibilities towards loan stockholders which BL is unable or unwilling to supply to stockholders. My concern about this has been increased by the recent report from the House of Commons Select Committee that "the sale of Jaguar could damage the rump of BL."

R. Scott Thomson,
*36 Norwood Drive,
Glasgow.*

FINANCIAL TIMES

Wednesday July 11 1984

London stock market endorses reforms

By John Moore, City Correspondent, in London

THE LONDON Stock Exchange's ruling council yesterday took another big step towards remodelling the British securities market. It endorsed a radical new system for dealing in shares.

The system will allow stock exchange professionals to make markets in securities as competing market makers. That structure will effectively bring to an end the traditional separation of the functions of stockbrokers, who buy and sell shares on behalf of clients, and stockjobbers, who make markets in the shares.

The stock exchange said yesterday that the proposals differed materially from possible structures outlined in a discussion paper published in April.

The stock exchange said that, at a meeting of the council, a unanimous decision had been taken in favour of a dealing system based on competing market makers when commissions on shares transactions became negotiable by the end of 1986.

The plans to abandon fixed commission scales on share transactions have triggered the stock exchange's proposals to reform its securities market.

The system will be modelled broadly along the lines of the U.S. National Association of Securities Dealers automated quotations system (Nasdaq). The proposals, which will be outlined to members of the stock exchange next week in a discussion document, will indicate that those who wish to act as market makers will be able to act in that role. If the practitioners act as principals or market makers, as well as an agent on behalf of clients, they will be obliged to declare that fact.

See Lex, this page

UK bids to shore up Hong Kong confidence

BY DAVID DODWELL IN HONG KONG

MR RICHARD LUCE, Britain's Minister of State for Foreign Affairs, will fly to Hong Kong tomorrow for two days of wide-ranging discussions with political and community leaders in the colony.

The decision comes at a critical stage in the secret Sino-British negotiations over the future of Hong Kong and was being interpreted in the territory yesterday as an attempt to shore up flagging confidence in the determination of British negotiators to reach an agreement acceptable to Hong Kong people.

It is believed Whitehall has in recent weeks been split over how the negotiations with the Chinese Government should be handled, some officials arguing that any agreement is better than none. Others, however, insist that unless certain minimum concessions or commitments are made by China the agreement will be worthless.

Announcement of the Luce visit was made simultaneously in Hong Kong and London soon after Sir Edward Youde, the colony's governor, set off for Peking for the 18th round of Sino-British talks on the future of Hong Kong. China will resume sovereignty in 1997, when Britain's leases expire. An agreement is widely expected to be initialled in September.

The news came on a day during which Hong Kong's stock market steadied after falls on 12 successive trading days. The Hang Seng index improved by 31.71 points to end the day at 805.31. Stock market operators said, however, that the recovery was mainly due to technical factors and short-covering and that there were fears of further falls later in the week.

The Hong Kong dollar, which came near to being unhinged from its pegged value of 7.80 to the U.S. dollar on Friday, held its ground, as the price of overnight interbank interest rates soared again into the 35 to 40 per cent range.

Mr Luce, who will arrive only a matter of hours before the Sir Edward Youde's return from Peking, plans to meet the appointed local representatives on the colony's executive and legislative councils and other community leaders.

Initial response to the Luce visit was that the British Government might have decided at emergency meetings in Whitehall last week to agree to Chinese demands for a joint Sino-British commission to oversee Hong Kong's expected 13-year transition to Chinese sovereignty, and that Mr Luce would be transmitting this message to the people of Hong Kong.

These suggestions were, however, dismissed as "very wide of the mark" by a senior Hong Kong official.

It was learned after the governor had briefed members of Hong Kong's executive council, similar to Britain's Cabinet, on the outcome of his discussions in London last week, that Britain continued to reject the Chinese plan in its present form.

It is likely therefore that discussions of the matter will be put on one side while progress is sought on less contentious issues.

The proposal for a joint commission has hit a particularly raw nerve in London and Hong Kong, where officials see it as undermining the power of the present Government and giving China de facto control of the colony from 1985 rather than from 1997.

The proposal illustrates Peking's extreme suspicion over the intentions of the present administration between now and 1997.

In public, Peking has reasonably argued that the commission would help China to acquire a better understanding of how Hong Kong works, leading to a smoother transition in 1997.

Editorial comment, Page 16

Grundig may aid Soviets on video recorders

By John Davies in Frankfurt

THE SOVIET UNION is seeking Western help to develop video recorders.

Grundig, the Fürth-based concern now under the management control of Philips of the Netherlands, has confirmed that it is ready in principle to supply manufacturing knowhow.

The Soviet Union has also approached Japanese interests about the possibility of co-operation.

Grundig said yesterday that talks had been going on with the Soviet Union for about six months. A Soviet delegation had visited West Germany and Grundig representatives had made a reciprocal visit.

The company said the Soviet Union was seeking knowhow for video recorder production in general, not for a particular video recorder system. The talks were about production techniques, not about a licence or about any type of system.

Grundig had indicated it was prepared in principle to supply knowhow and was awaiting a decision. It hoped a deal would come about.

The company could give no details of where Soviet production would be set up or how many video recorders would be made.

The Soviet trade office in Bonn said yesterday that the Soviet Union already produced video recorders of its own design, but the office had no production details available.

Grundig has done no video recorder business with the Soviet Union but has made small-scale deliveries to other East European countries, particularly Hungary.

Video recorders have been used in schools and other educational institutions in Hungary, the company added.

Grundig believes the Soviet Union might be a big market for video recorders, in view of its large population.

The West German company began production of the Japanese-developed VHS video recorder system this year, in addition to the V-2000 system. With Philips, it decided to move into VHS production in view of the success of the Japanese system, especially in markets outside Western Europe.

Interest in video recorders has been growing in Eastern Europe, but there has been a tendency to wait for decisions by the Soviet Union on the most appropriate system and on production targets.

Robert Cottrell in Tokyo adds: Matsushita Electric of Japan has also received inquiries from the Soviet Union to provide technical assistance in setting up a VCR assembly operation in Russia. The Ministry of International Trade and Industry (Miti) is understood to have told Matsushita to refrain from getting involved in such a venture.

THE LEX COLUMN

The pound tips the scales

It was a characteristic piece of perversity – at any rate in these troubled markets – that the best news for holders of sterling yesterday was a schedule of bad news about the UK money supply. This showed a list of monetary aggregates bloated enough to convince most people that bank base rates would be moving up for the second time in a week. But the comfort for sterling was predictably short-lived – currency markets need ever larger doses of interest rate stimulation to keep them aloft as the addiction grows – and the authorities' traditional interest rate versus exchange rate riddle remains unanswered.

Although there is nothing immediately disastrous about the money supply figures, since it is still early in the funding year, it does look as if the rapid growth of lending up to the end of banking June – PSL2 has been running at over 20 per cent so far this year – is going to demand some heavy funding before too long, far more than the net £300m or so which the Government Broker has achieved in July to date. Yet the sagging performance of the pound, and rising interbank interest rates would make it aburd to try and improve the monetary statistics by wheeling out a tap just now. If the clearing banks went for a base-rate overkill – beyond the 11½ per cent which interbank rates seem to be looking for – it would at least improve the authorities' chances of selling some stock.

None of this is good for equitirl interest rates are levered up to 12 per cent, the resulting mortgage rate increase could take the remaining wind out of consumer spending, quite apart from its proper impact on house building. Coupled with the dock strike, this darkening interest rate picture seems this week to have turned some institutions into active, if modest, sellers. No wonder that old defensive stand-bys – like tobacco stocks – have begun to supplant the stores and other bull-market favourites.

Stock Exchange

The Stock Exchange took a lot of well deserved criticism for its woolly comments on equity trading published in April's discussion document, but it now seems to be moving in the right direction. With a surprising degree of unanimity, the Council agreed yesterday on the broad outlines of a trading system which ought to work well in London.

In essence, the choice lay between an auction specialist, on the lines of the New York Stock Exchange, or a committed market-maker system akin to that operated by the National Association of Securities Dealers (the Nasdaq system).

The argument against the specialist is that London is not used to auction markets, and that anyway the specialist system in New York is showing increasing signs of strain. Whereas New York only trades in relatively large companies, London has far more small securities to trade, which could not fit comfortably into a specialist market.

In favour of the Nasdaq system is the fact that it works well, in the U.S., and in London there are realistic hopes that market makers might be willing to trade in relatively illiquid securities at least through a transitional period. In the short term, it would enable the floor of the Stock Exchange to remain a busy and worthwhile place, and it could be adapted over the years if the floor were to become less relevant.

Much detail remains to be worked out. It looks as though those who wanted to insist on order exposure have been defeated, which is good; but the question of last trade reporting has still to be resolved. There may be a case for allowing a short period in which all trades are reported to the authorities but not to the public, in order to give the market-makers a chance to find their feet.

Pergamon/Mirror

Mr Robert Maxwell clearly wants the Mirror Group of Newspapers very badly indeed. He has surely now made an offer which Reed International will find it hard to refuse. The group's institutional shareholders could be forgiven for wondering whether MGN's proposed flotation would ever really reach the market, with or without last night's increased offer of £100m on the table.

Meanwhile, newsprint costs are beginning to rise, advertising volume is arguably at a peak, and union opposition to the flotation remains entrenched. Mr Maxwell's appearance must seem to them heaven-sent, with his extra £20m probably worth just a little over Reed's latest annual net dividend and the total offer perhaps equivalent to about 70p per Reed share after expenses and capital gains tax.

Reed's reluctance so far to discuss the matter, for whatever reasons, is most unlikely to deter this bidder. MGN's assets must be broadly divisible into those which can easily be valued by any outsider and those which are anyway not going to be of much interest to the prospective new owner. Mr Maxwell is, therefore, little inconvenienced by not seeing the group's books. He also appeared totally confident last night that there would be no question of any monopolies reference – and his success at turning around BPCC has disarmed many former critics of his approach.

Genscher keeps FDP leadership

By Rupert Cornwell in Bonn

HERR Hans-Dietrich Genscher, the much contested leader of the troubled West German Free Democrat Party (FDP), is to keep his post until February next year. At the same time, he has denied that he would be prepared to serve as the next President of the EEC Commission in Brussels.

Herr Genscher's temporary reprieve as FDP leader was settled at a meeting of the party leadership. By a 25-5 majority it rejected a proposal that a new leader be chosen immediately after the summer break, to enable the desperately needed overhaul of the struggling FDP to begin as soon as possible.

Instead, the choice of a successor will be made, as originally planned, at the normal party conference to be held in Saarbrücken next February.

All the signs are that the job will go to Herr Martin Bangemann, who has just taken over as Economics Minister in the centre right coalition. He replaced his FDP colleague Count Otto Lambsdorff, who is to face trial on corruption charges arising from the so-called "Flick affair" later this year.

So far, no rival has thrown his hat into the ring – and is unlikely to do so, unless Herr Bangemann fails in his ministerial office, a portfolio for which he freely admits he boasts no prior qualification.

Herr Genscher's announcement that he was not interested in going to Brussels would seem to make it all but sure that the successor to M Gaston Thorn at the head of the EEC Commission, and due to take over next January 1, will not be a West German.

Intense private soundings over the appointment have been taking place among EEC leaders. Although he has never publicly admitted this, Herr Helmut Kohl, the Chancellor, has been testing reaction to the idea that the post might go to his fellow Christian Democrat politician, Herr Kurt Biedenkopf.

Herr Biedenkopf's lack of top-level government experience told against him, however. Nor were his chances improved by his failure to mediate a settlement in the long print industry dispute, which ended only last weekend.

Herr Genscher maintains that he will remain as Foreign Minister and deputy Chancellor until the next federal elections in spring 1987, despite forfeiting the party leadership.

France lifts nuclear electricity exports

BY DAVID MARSH IN PARIS

FRANCE has taken a step nearer becoming Europe's nuclear energy powerhouse, registering a sharp increase in exports of mainly nuclear-generated electricity in the first six months this year.

Electricité de France (EdF), the state utility in charge of the nuclear programme, boosted electricity exports to neighbouring countries – particularly West Germany, Switzerland, Italy and Spain – to 12.5bn kilowatt hours in the first half of the year, roughly equivalent to the output of four 900 MW power plants.

As part of a series of measures decided last July to guard against serious overcapacity in France's burgeoning network of nuclear power stations, EdF has been mounting aggressive campaigns to sell electricity abroad and to increase its penetration among domestic energy users, especially in industry.

During 1984, EdF expects to export about 25bn kWh, nearly double last year's total of 13.4bn, which itself showed a threefold increase on the 1982 figure of 3.8bn.

Out of the 161.5bn kWh of electricity produced in EdF plants during the first six months, 88.8bn kWh, or 55 per cent, was generated in nuclear plants, up from 48 per cent during the whole of last year.

EdF aims to boost the nuclear percentage to 75 per cent by 1990.

A 2,000 MW two-way cross-Channel link with Britain, planned to come into operation in two stages at the end of 1985 and the end of 1986, will greatly increase EdF's capacity to boost exports to Britain if the Central Electricity Generating Board decides to take advantage of relatively cheap French electricity.

The cable link, now being built, was conceived originally to allow the two electricity boards to "swap" electricity at peak demand periods.

In view of the considerable price advantage of French electricity, and delays in Britain's own nuclear power programme, France would like to use the underwater cables to make large net annual electricity sales to Britain.

EdF reasons that Britain may face a clear demand for electricity from abroad in coming years, especially if the CEGB decides eventually against building the Sizewell-B pressurised water reactor, which has been at the centre of a public inquiry since January last year.

France has been pressing its case for electricity exports in recent discussions with Italy, Belgium and the Netherlands.

Domestic electricity consumption has also been rising faster than expected this year.

UK money supply accelerates

Continued from Page 1

compared with the range set in the Government's budget of 6 to 10 per cent.

The rapid pace of expansion during the month reflected a sharp upturn to £1.5bn in bank lending to consumers and business, and the relatively high level of government borrowing.

In Whitehall, officials said that the broad money supply had been artificially inflated over the past few months because of the concentration of government borrowing in the first half of the year.

Over the last 12 months Sterling M3 has grown by 9½ per cent, just inside the official target range.

The narrow measure of money, Mo, is well within its 4 to 8 per cent range despite an unexpectedly high increase of 1 per cent in June.

The authorities' view is that the 10 per cent level of interest rates which they endorsed last week remains the appropriate level. The Bank of England yesterday left its dealing rates unchanged

Some bankers believe that the Bank might seek to block any new increase over the next one or two days in the hope that the markets will steady, perhaps in response to an easing in the value of the dollar.

A further rise in base rates now would encourage building societies to increase their lending charges by more than one percentage point when they meet on Friday, possibly threatening the Government's 4½ per cent inflation target for the end of the year.

Against that, the major banks will not want to hold for any significant period rates which allow their "blue-chip" customers to make profits by drawing down their overdrafts and re-lending to the banks.

Maxwell raises bid for UK newspaper group

BY SUE CAMERON IN LONDON

MR ROBERT Maxwell, the British entrepreneur and publisher, last night formally raised his bid for the London based Reed International's Mirror Group Newspapers to "not less than £100m." And he is holding out the lure of increasing his offer still further to a maximum of £120m ($156m).

The new offer came less than 24 hours after Reed's terse rejection of Mr Maxwell's initial £80m bid. Reed said the first offer was "far from being wholly unconditional" and that the net proceeds would be "substantially less" than £80m.

Last night, however, Mr Maxwell revealed that he had abandoned nearly all the conditions which might have been thought to apply to his first offer. He was not demanding a prospectus for MGN which Reed was planning to float later in the summer. He was willing to resolve the question of the inter-company debt which Reed was believed to owe MGN and he had "dropped the key item" of possible redundancy payments, at the Withy Grove print works near Manchester where Northern editions of the Mirror are produced.

Mr Maxwell also announced that he had the "firm intention of seeking a public listing" for MGN if he acquired it. The timing would depend on the market and he would like his Pergamon Press to retain a 75 per cent stake. A public listing would enable MGN staff and members of the public to buy shares in the Mirror group.

A letter to Sir Alex Jarratt, chairman of Reed, was sent by Mr Maxwell late yesterday afternoon, but last night nobody from Reed was available to comment on the new offer.

Euro-US bank loses $137m

Continued from Page 1

With the complete support of our six European shareholder banks we decided to charge off problem loans, our investment in unsuitable computer systems and other costs now so that the bank will be on a firm footing for the future."

The EAB chairman added that the charge-offs accounted for *all* EAB's problems. He predicted that as a result the bank would return to profitability in the third quarter, based on a new strategy of focusing on the local New York and Long Island commercial banking markets, where EAB has 93 offices.

At the end of June, the bank's non-performing loans totalled $296.1m or 5.2 per cent of total loans. The figure includes almost all EAB's $58m in Argentine loans, which have been placed on a non-accrual basis.

Despite frequent rumors to the countrary, the bank is understood to have decided against selling "strategic" investments

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	25	77	Malaga	S	27	81	Salzburg	S	31	88
Akrotiri	S	28	82	Faro	S	25	77	Malta	F	29	84	Seoul	S	30	86
Algiers	S	43	109	Florence	S	30	86	Manila	C	33	91	Singapore	R	30	86
Amsterdam	R	21	70	Frankfurt	S	32	90	Miami	C	30	86	Stockholm	S	26	79
Athens	F	29	84	Funchal	C	22	72	Milan	S	29	84	Strasbourg	S	30	86
Bahrain	S	41	106	Geneva	S	30	86	Moscow	C	16	61	Sydney	R	14	57
Bangkok	S	33	91	Gibraltar	S	30	86	Munich	S	29	84	Tangier	S	33	91
Barcelona	S	27	81	Guernsey	S	19	66	Nairobi	F	23	73	Tampere	F	23	73
Beirut	S	26	79	Helsinki	S	24	75	Naples	S	27	81	Tehran	-	—	—
Belgrade	S	27	81	H. Kong	C	29	84	New Delhi	S	35	95	Tel Aviv	S	29	84
Berlin	S	31	88	Innsbruck	S	31	88	New York	C	26	79	Tenerife	S	31	88
Biarritz	S	23	73	Inverness	F	22	72	Nice	-	—	—	Tokyo	C	17	63
Blackpool	F	22	72	Istanbul	F	22	72	Oporto	C	20	68	Toronto	C	26	79
Bordeaux	F	24	75	Jersey	S	21	70	Oslo	C	22	72	Tunis	S	33	91
Brussels	S	25	77	Jo'burg	R	10	50	Paris	S	26	79	Valencia	S	29	84
Budapest	S	27	81	Las Palmas	F	30	86	Prague	S	30	86	Venice	S	25	77
B. Aires	R	13	55	Lima	C	20	68	Reykjavik	C	12	54	Vienna	S	27	81
Cairo	S	31	88	Lisbon	C	22	72	Rio de Jo	S	30	86	Warsaw	S	26	79
Cape Town	S	26	79	Locarno	S	28	82	Rome	S	27	81	Zurich	S	31	88
Caracas	C	29	84	London	F	21	70								
Casablanca	S	24	75	Los Angeles	S	35	95								
Copenhagen	S	22	72	Luxembourg	S	29	84								
Corfu	S	26	79	Madrid	S	33	91								
Dublin	C	17	63	Majorca	S	34	93								

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Siemens plans DM 1bn for new chips

Continued from Page 1

automated production and energy-saving.

Dr Kaske agreed that one factor helping the components division to return to profit this year had been a boom in demand, above all for microprocessors and integrated circuits.

Orders for Siemens electronic components in the first eight months of the business year to the end of May had risen 60 per cent and sales by more than one fifth.

He added, however, that Siemens had also revamped the division to remove weaknesses, so that even when demand eased again, profitability should be maintained.

Apart from the fast-growing microelectronics field Dr Kaske made clear that Siemens was in the middle of a major phase of general expansion.

Group investment next year would rise DM 500m to DM 2.7bn, meaning that Siemens would have boosted its overall investment budget by DM 1bn or 60 per cent within two years. At the same time spending on research and development next year would be increased by at least DM 300m to more than DM 3.8bn.

Dr Kaske noted that in the first half of 1983-84 Siemens had taken on almost 1,000 extra engineers and scientists – nearly as many as in the whole of the previous business year. The demand for qualified personnel at present exceeded the supply, especially in the semiconductor and computer software sectors.

Rupert Cornwell adds from Bonn: West Germans, supposedly laggards in high technology and innovation, are buying home and micro computers at a phenomenal rate.

Sales of such units more than tripled last year to reach 647,000, worth a total of DM 1.45bn, according the Frankfurt-based Diebold market research institute. Sales in 1982 were only 184,000 units, the institute says.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday July 11 1984

Sharp gain for CBS in second quarter

By Paul Taylor in New York

CBS, the U.S. broadcasting, recorded music and publishing group, yesterday reported a 49 per cent jump in second-quarter earnings, bolstered by particularly strong results from the broadcast and record divisions.

The company said net earnings from continuing operations increased to a record $87.6m, or $2.95 a share, in the second quarter from $58.8m, or $1.98, in the corresponding period last year. Net income increased by 51 per cent to $88.5m, or $2.98 a share, from $58.7m, or $1.98, on revenues which grew by 16 per cent to $1.22bn from $1.05bn.

In the latest quarter, a $16.6m gain on the sale of land was offset *by a $15.7m charge resulting from* the decision, announced earlier this week, to end video disc production.

Fpr the first six months, CBS reported net earnings *from* continuing operations of $127.7m, or $4.30 a share, compared with $77.3m, or $2.60, in the first half of 1983. Final net earnings after the special gain and charges increased to $127.4m, or $4.29 a share, against $76.5m or $2.58, on revenues which grew to $2.39bn from $2.09bn.

The *sharp* improvement in profits continues a pattern established last year, and underlines the group's breakout from a five-year profit slump. *The recovery has been* led mainly by the broadcasting division and the renewed success of the CBS records group which records such artists as Michael Jackson.

The broadcasting group reported second-quarter income of $159.1m on revenues of $672.3m compared with income of $103.3m on revenues of $563.3m in the corresponding period last year. Earnings in the records group increased to $30.5m from $25.5m on revenues which rose to $305.3m from $277.4m.

CBS's publishing group also reported higher income and revenues,

ONE MAN'S PLAN TO LIFT FUTURES TRADING OUT OF THE PITS

Intex – a futures market without bedlam

BY ALEXANDER NICOLL IN LONDON

EUGENE GRUMMER has learned the hard way not to predict the *opening date for Intex, an automated* futures exchange being created around a computer in Bermuda. But he does believe that, after years of setbacks, his dream will become a reality this summer.

Intex – if it works – will be a futures market without bedlam. It is based *on* the belief that the growth of futures markets, especially in the U.S., has overstretched traditional trading methods and that the advance of technology has made those *methods outdated.*

"Those who propound the theory that you must have human interaction are hanging on to an old method," *Mr Grummer says.* His idea is that the hurly-burly of trading pits, with the attendant inefficiencies he sees, will be replaced by silent screens in traders' offices.

Several times it has seemed that the idea would never fly. Since Mr Grummer, an American aged 59 who had a 30-year career at Merrill Lynch, founded Intex in 1981 with several other individuals, it has gone through ownership shuffles and its computer system has had to be replaced.

A U.S. venture capital concern, Biotech Capital, is now a principal shareholder, as is Mr Wallace Sparkman, who runs a Texas oil company. Last week a British company, Mr Max Lewinsohn's Dominion International, agreed to subscribe $3m for a 25 per cent holding. *Intex's sponsors have already spent* double that amount on its development.

Membership costs $20,000, and the subscriptions of 265 members from around the world are now being held in escrow pending the start-up. A far smaller number than that will have active screens, or *"trading stations," in place* when the first trade is done.

A trading station, comprising a Digital Equipment microcomputer, *two* screens and high-speed printer, costs each member in the U.S. an additional $13,600. In the UK the price is about $3,000 higher. In addition, members must have dedicated telephone lines running to mainframes in Vienna, Virginia, or London and thence to the central computer in Hamilton, Bermuda.

About 30 members, mostly in New York and Chicago, have been hooked up so far. Only three of them are in London: Heinold Commodities, Merrill Lynch and Sharps Pixley. *Mr Grummer hopes that* between 40 and 50 members will be linked to the computer before the starting date.

The hopes of Intex *are pinned on* a 100-ounce gold contract similar to the very active New York Comex contract. After that, a long-term U.S. bond contract and a 5,000-ounce silver contract are planned, as well as a freight rate index. Mr. Grummer hopes to introduce stock indices and currencies, as well as *options, but emphasises that all* depends on launching a single contract successfully.

Whether Intex will succeed must still be subject to doubt. Futures traders brought up on the jostling, lung-bursting mêlée of the trading pit bridle at the suggestion that pits are inefficient market places.

"I am a fan of open outcry because you get the best available price, and the price is public," says Robin Baldwin, a partner running the futures desk at London stockbrokers Phillips & Drew. "It does not matter if the pit is crowded – that just makes it more efficient."

Intex believes that overcrowding in the pits lessens the chances of quick, error-free execution of orders. Execution by the Intex computer, as well as being fast, would *remove the possibility of out-trades* – where two traders' records of the same deal do not match – because the computer would provide an immediate record. Intex claims that its system can handle 70,000 transactions an hour.

Mr Michael Jenkins, chief executive of the London International *Financial Futures Exchange (LIFFE)*, acknowledges that "trading methods will change and a lot of it will be done in an automated way." He does not, however, believe that automation will replace the trading floor.

Mr Jenkins believes that it is precisely when volume is high that the pits are efficient and automated trading is suspect. Despite the potential speed of the computer itself, he says, the speed of reaction from computer users around the world is not the same as that from a throng of traders who are all in one place.

"I think probably the state of the computer art is such that where you have got a fairly modest volume, computer trading can be very effective. It has yet to demonstrate that it could efficiently handle high-volume *activity," Mr Jenkins* says.

LIFFE itself is looking ahead to a day when its own trading floor may become too cramped, and is exploring ways to automate *some* low-volume contracts, such as currencies.

One advantage of the Intex system is anonymity. A trader's screen displays, for each price close to the current market level, the total volume of bids and offers put into the system by all trading members. The computer matches them and provides *a record to each side but does* not disclose the identity of one to the other.

All trades will be cleared, subject to final agreement, by the International Commodities Clearing House in London, which also houses Intex's London mainframe on its premises.

A disadvantage, which Intex is working to remedy, is that members will not be able to interface Intex trading with their own internal computer systems.

A few years ago, Intex was talking of a round-the-clock market. That ambition has been toned down *now, and its trading hours will run* through the U.S. day although for longer than the Chicago and New York exchanges. Extension into the London morning is possible, but expansion beyond that might create clearing problems.

Will Intex become a liquid enough market to take off? Technology has had a huge impact on financial markets, mainly by increasing the flow of information to them. So far, traders have been reluctant to *entrust* the market place *itself* to computers. Intex may encourage some of them to try, perhaps by offering arbitrage opportunities. But it is unlikely to persuade them to abandon the trading floor completely.

Texaco's takeover of Getty cleared

By Terry Dodsworth in New York

THE U.S. Federal Trade Commission (FTC) yesterday give final clearance to the $10.1bn takeover of Getty Oil by Texaco, making in the process one major change which will significantly strengthen the *group's position in the Mid-west.*

The altered recommendation illustrates the new flexibility of the anti-trust authorities under the *present Administration. In this case* it has not only allowed the second largest merger in U.S. history to go ahead, but has also assisted with advice on how best to structure the agreement to meet with approval.

In the original judgment in February Texaco was told it would have to divest Getty's 50 per cent stake in the Chase Pipeline carrying refined products from Kansas to Colorado, as well as Getty's 80,000 barrels a day refinery at El Dorado, Kansas, and related marketing assets in 15 states.

In the final decision, however, Texaco was given the choice of divesting these assets or *its own* 40 per cent interest in the Wyco pipeline from Wyoming into Colorado. The company said yesterday it has *decided to opt for the latter* solution, holding on to the Getty activities which would strengthen its position in the mid-continent.

Most of the other requirements of the original FTC decision have been left in place, including the sale of Getty's marketing activities in the north east, the agreement to continue selling oil to independent refiners served by Getty in California, and agreement not to acquire marketing operations in the north east for 10 years without the commission's approval.

Texaco said yesterday it would start the work of integrating the two companies, which had to be run separately during the examination by the FTC.

Minebea plans U.S. expansion

By Terry Dodsworth in New York

MINEBEA, the Japanese electronics and ball bearing company, is aiming to expand in the U.S. through a bid for New Hampshire Ball Bearings, a specialised company with a strong foothold in the military market.

The Japanese group, which has sales of around $600m, has bid $65 a share for New Hampshire, valuing the company at $110m. Before the offer, New Hampshire's shares had been trading at a little over $30 a share, but they soared to $54½ on the announcement of the offer.

New Hampshire, whose management has been asked to stay in the event of a takeover, said it is actively exploring the bid.

Continental Illinois to sell London bank

BY DAVID LASCELLES IN LONDON

CONTINENTAL Illinois, the troubled *Chicago bank, has* to sell its London merchant bank, Continental Illinois Ltd, to First Interstate Bank of Los Angeles as part of its efforts to raise cash through asset disposals. The sale price is not being disclosed.

First Interstate is the seventh largest U.S. bank but is less well known abroad than its size would suggest because its business is mainly in the U.S. retail market.

The acquisition marks its ambition to expand its international presence.

The terms of the deal are understood to include profit-sharing arrangements for the merchant bank's staff. About 90 per cent of the employees, including Mr William Page, the managing director, have agreed to stay on.

The bank will remain in the Continental Illinois building in Queen Victoria Street for a time.

With a balance sheet of £240m Continental Illinois merchant bank was expected to be sold for a price in excess of its net asset value of about £16m. The bank is active in a range of banking markets, including corporate finance and securities trading.

U.S. food group sees advance

By Our Financial Staff

BEATRICE COMPANIES, the U.S. food and consumer products group formerly known as Beatrice Foods, expects a $19m gain in its earnings for the second quarter ending August 31 from a private swap of convertible preference shares for a portion of its sinking fund debentures.

The retired debentures had a face value, including accrued interest, of $94m. Interest rates ranged between 7⅞ per cent and 10⅞ per cent.

In the second quarter of 1983-84, Beatrice reported net earnings of $87.1m or 83 cents a share on sales of $2.37bn. Last month Beatrice took over Esmark, the U.S. food, lingerie and vehicle rental concern.

Profits surge in quarter for International Paper

BY TERRY BYLAND IN NEW YORK

INTERNATIONAL PAPER, the world's largest paper maker underlined the recovery in the U.S. forest products industry with the announcement of a sharp rise in second-quarter profits.

A gain of 15 per cent in sales lifted net earnings by more than one third to $67m or 1.21 a share. The comparable earnings total of $49.8m or 88 cents included $15.7m from land sales in Florida. Group renues increased from $1.07bn to $1.23bn.

Sales of land also boosted earnings in the first quarter of this year. For the first half year, International Paper shows net earnings of $122.3m or $2.19 a share, including $119.3m or 2.15 a share takes in $63.5m from the sale of timber in Northern California. Sales for the six months have improved from $2bn to $2.4bn.

For the whole of fiscal 1983. IP turned in net profits of $211.6m or $3.73 a share

The company is benefiting from the recovery in demand for its paper, pulp and packaging products. It is increasing its position in the white paper markets, and has been raising cash for modernisation by selling off selected timber assets.

هكذا من الأصل

Caterpillar returns to profit

By Terry Byland in New York

CATERPILLAR Tractor, the world's largest earth-moving and construction equipment group, returned to profit in the second quarter of the year, after losses in seven consecutive quarters. The turnround from a loss of $92m or $1 a share to a profit of $24m or 25 cents for the quarter reflected improved demand in the construction equipment industry, "particularly in the U.S. and Canada," the company said.

The company still believes it will be profitable over the full year, but it is downgrading its sales forecasts for 1984 because of the "limited improvement" seen in the energy sector. In 1983, Caterpillar's sales totalled $5.4bn.

Sales jumped by 48 per cent in the second quarter to $1.83bn.

Elf abandons Guatemala oil exploration venture

BY DAVID MARSH IN PARIS

ELF AQUITAINE, the state controlled French oil and chemicals group, has pulled out of its role as operator and leading shareholder in an ill-starred oil exploration and production venture in Guatemala.

The company has proposed transferring its 43 per cent stake in the venture to Hispanoil, the Spanish state oil concern.

Elf's move coincides with the opening of hearings in Switzerland into a lawsuit brought against Elf by one of its former partners in the venture, Basic Resources International.

Basic Resources, now chaired by financier Sir James Goldsmith, is suing Elf for about $300m in damages, claiming that the French company contributed to the poor results of the Guatemalan venture through gross negligence and reckless overspending.

Elf, in return, has made a counter-claim against Basic Resources for $28m plus accrued interest. The hearings have just started at the International Commercial Tribunal in Basle and a result is not expected for several months.

Elf said yesterday that the decision to withdraw from the project — which had been expected for several months — was not directly linked to the Basle case but was a result of a review of the unappealing prospects of the Guatemalan venture.

After the abandoning of earlier joint ventures with Texaco and Braspetro of Brazil, Elf no longer has any activities in the central American country.

Elf became operator in 1980 of a contract area previously run by Basic Resources. Its partners were Hispanoil, with 33 per cent, and Basic Resources, with 23 per cent. But expectations that the area would lie in the same basin as the adjacent productive fields of Mexico failed to be borne out by later drilling and the area is now thought to have output capacity of no more than 5,000 barrels a day.

● Shell Canada is investing an initial C$200m (U.S.$151m) to expand its Peace River oil sands production from 2,400 to 10,000 b/d and could expand output to 40,000 b/d in the 1990s.

Shell has operated its Peace River pilot project on the tar sands belt in northern Alberta for nearly five years.

St Regis court bid refused

By Our Financial Staff

MR RUPERT MURDOCH, the Australian publisher, has been cleared by a Dallas court to continue buying shares in St Regis, the U.S. forest products group.

The Federal District Court in Dallas refused a request by St Regis for a temporary restraining order on Mr Murdoch. A hearing was set for next month on St Regis' request for a preliminary injunction against Mr Murdoch, who has so far amassed over 5 per cent of its stock.

In its original action St Regis alleged, among other things, that Mr Murdoch's public filings in connection with his acquisition of St Regis' common stock are "materially false and misleading, in violation of the federal securities laws" and that Mr Murdoch intends to violate provisions of Texas law.

Dutch pacemaker group to sell unit for Fl 2.8m

BY WALTER ELLIS IN AMSTERDAM

VITATRON, the Dutch scientific instruments manufacturer, which specialises in heart pacemakers, is to sell its scientific division to a new company, Vital Scientific Dutch, for Fl 2.8m ($875,000).

Vitatron, which was a controversial Dutch entrant to the London stock market, hopes to produce much improved results for 1984 after five years of mounting losses.

The scientific division recorded a deficit last year of Fl 2.46m, down from a loss of Fl 5.16m in 1982. Vitatron feels that it can now be sold as a going concern, raising valuable funds for the company and permitting it to concentrate on pacemakers and other implantable medical devices.

Vital Scientific, owned by Clinical Data, Doria and Vondermeden Holding, will continue to operate its purchase from the existing premises in Dieren, near Arnhem. It will pay Vitatron Fl 2.5m in cash and the balance over eight years.

The new venture will not compete with Vitatron but will concentrate on the design, manufacture and sale of laboratory equipment for the clinical industry.

Mr J. B. Eroos, managing director of Vitatron, said yesterday that his board remained satisfied with the performance of its shares in London. New financial and fiscal advantages may be granted next year to users of the Amsterdam "parallel market," which Vitatron rejected in favour of London. But Vitatron expects to stay listed in the UK.

Oce earnings and sales well ahead

OCE, the Dutch copier group, reports good gains in sales and profits for the first six months of 1984.

Sales are 10 per cent ahead and net profits have risen by 27 per cent, confirming the strong recovery in trading shown by Oce over the past year or so.

Against Fl 23.1m for the opening half of 1983, net interim profits have increased to Fl 29.3m. Sales for the period totalled Fl 891m, against Fl 809m.

At the per share level, profits are Fl 12.95, compared to Fl 10.60. Cash-flow per share is Fl 52, against Fl 41.5.

● Algemene Bank Nederland, one of the big three commercial banks, plans to raise Fl 150m ($47m) via the Amsterdam bond market. It is to offer 9¼ per cent bonds with a maturity of 20 years. The bonds are to be priced next Monday and subscriptions have to be in by the the following day.

Gencor buys into Deutsche Babcock offshoot

By Rupert Cornwell in Bonn

DEUTSCHE BABCOCK plans to sell a 26 per cent stake in its South African offshoot DB-Therma to the giant General Mining Union Corp of South Africa.

Hitherto the West German engineering and power station group has held 100 per cent control of DB-Thermal. The company yesterday declined to given any financial details of the transaction.

Gencor, which employs 170,000 people, has interests which include commodities, steel shipbuilding and trading. DB-Thermal, based at Braamfontein, specialises in pipeline constructions as well as supplying condensation and watercooling units for power stations.

The two South African companies will co-operate in the marketing of equipment and of technological know-how. Deutsche Babcock said the deal would open the way to new activities in energy-related engineering and process plant technology. It would also help the West German company to market its environmental protection technology — for which it envisaged growing demand in South Africa in the next few years.

DB Thermal has been operating in South Africa for many years, its interests including steam-generating equipment and pipeline construction.

Deutsche Babcock has been consolidating its financial recovery over the last two years after booking a group loss of DM 437.4m ($154m) in the 12 months to the end of September 1982. Its problems stemmed from contracts with Arab countries, including Kuwait, Saudi Arabia and Libya.

The company has been re-assessing its strategy and putting more emphasis on energy conservation and environmental protection techniques.

Bosch expects to maintain net profits this year

BY OUR FRANKFURT STAFF

ROBERT BOSCH, the West German electricals and vehicle components group, expects to boost sales this year by about 6 per cent to more than DM 15bn ($5.3bn), and to maintain profits at around the 1983 level.

But Dr Hans Merkle, the outgoing chief executive, told a press conference that sales growth of 10 per cent might have been achieved but for the seven-week strike in the metal-working industry.

He pointed to estimates that the German vehicle industry—a key customer for Bosch—had lost production of some 450,000 cars and trucks through the metal workers' dispute.

Bosch itself had achieved an exceptionally strong sales increase of 22 per cent in the first quarter—a rate which in any case would have tapered off a bit in the course of the year.

But then came the strike from mid-May, which Dr Merkle estimated had cost Bosch about DM 600m in lost turnover—DM 450m of that in June alone.

He warned that the strike had harmed German industry's reputation abroad for reliable delivery. Moreover, the accord finally reached for an average 38.5 hour week would inevitably raise labour costs and force companies to rationalise further.

Despite the setback, Dr Merkle made clear that the Bosch group was pressing ahead with an investment programme worth nearly DM 1bn this year, and that it aimed for annual sales growth in future of around 5 per cent in real terms.

One part of that growth strategy was to boost sales in the U.S. to the equivalent of 10 per cent of group turnover. First quarter figures, although improved by special factors, were encouraging with U.S. sales up by no less than 83 per cent.

Last year the Bosch group increased net profit to DM 193m from DM 181m in 1982, on consolidated sales up by 3.9 per cent to DM 14.4bn. A total of 55 per cent of sales were made abroad.

Net profit of the parent company totalled DM 157m of which DM 120m is being added to reserves and the rest paid out as a dividend.

Dr Merkle, aged 71, is stepping down tomorrow after 21 years as executive chairman, and will become head of the supervisory board. His place will be taken by Dr Marcus Bierich, aged 58, until now the finance chief of the Allianz insurance concern.

Biochemie joint venture

BY JOHN WICKS IN ZURICH

BIOCHEMIE, an Austrian subsidiary of the Swiss Sandoz group, is to form a biotech joint venture with Henkel, the German chemicals and detergents concern. The two companies are to take 50 per cent each in Biozym, of the Netherlands.

Biozym will build a Sch 120m ($6m) unit for the fermentation-based production of enzymes at Biochemie's Kundl plant in the Tyrol. The unit, scheduled for start-up in spring, 1986, is initially to supply Henkel with part of its detergent enzyme requirements.

The partner companies have also signed an agreement to carry out joint research in the field of several fermentation products.

Biozym will draw on the knowhow of Biochemie, a leading international antibiotics supplier, in the field of microbiological production and Henkel's processing and finishing experience as a major detergents manufacturer.

The deal with Henkel follows the announcement recently that Biochemie intends to invest some Sch 2bn over the next four years to double turnover, which last year reached Sch 2.02bn.

INTERNATIONAL APPOINTMENTS

Chief executive at CPC International

● **Mr James R. Eiszner**, president and chief operating officer of CPC INTERNATIONAL INC. since 1979, will become chief executive on September 1. **Mr James W. McKee, Jr.**, who has been chief executive for the past 12 years, will continue as chairman of the board and chairman of the executive committee. Mr McKee said the change is being made to provide for an orderly transition of the company's leadership. Mr Eiszner was elected a corporate vice-president in 1971 and became president of the U.S. industrial division. In 1975, he was elected a member of the board of CPC International, and became executive vice-president in 1977, and president in 1979. CPC is one of the largest U.S. food processors.

● The PROCTER & GAMBLE board of directors has elected eight new vice-presidents: **Mr Wolfgang C. Berndt**, division manager—Germany, has become vice-president—Germany. **Mr Benjamin L. Bethell**, manager—food products division, has been made vice-president—food products division. **Mr William B. Connell**, manager—beauty care division, is elected vice-president—beauty care division. **Mr Stephen P. Donovan**, manager—packaged soap and detergent division, is appointed vice-president—packaged soap and detergent division. **Mr B. Jurgen Hintz**, manager—coffee division, has been elected to the newly created position vice-president—beverage division. The beverage division is a consolidation of the citrus products and coffee divisions. **Mr Charles A. Lieppe**, manager—health and personal care division, has become vice-president—health and personal care division. **Mr Lawrence D. Milligan**, manager—foodservice and lodging products division, has been made vice-president—foodservice and lodging products division. **Mr Samuel H. Pruett**, manager—citrus products, has been elected vice-president—personnel.

● ECONOMICS LABORATORY, INC., St Paul, Minnestoa, has promoted **Mr Adrian Smith**, Economics Laboratory International Limited (ELIL) consumer vice-president, to ELIL senior vice-president, marketing group and Pacific/Far East. In this newly-created positions he will be responsible for worldwide marketing and R & D. He joined the company in 1979 as vice-president, regional consumer marketing, Europe.

● **Mr Masayuki Serizawa** has been appointed deputy general manager of NIPPON EUROPEAN BANK in Brussels. He succeeds **Mr Yasunori Fujii** who was promoted to managing director of NEB.

● **Mr Richard S. Ward** has been elected a vice president of ITT CORP, New York. He joined ITT in 1969 as general counsel of ITT Space Communications, Inc. After moving to ITT Europe headquarters in Brussels in 1978, Mr Ward was appointed general counsel of ITT Europe Inc in 1983 and elected a vice-president of ITT Europe in the same year. He is based in Brussels.

● At STANDARD OIL COMPANY OF CALIFORNIA, **Mr Kenneth T. Derr**, president of Chevron U.S.A. Inc., will head a programme to implement the merger of Socal and Gulf Corporation. Mr Derr will continue as a vice-president and director of Socal. **Mr James R. Sylla**, president of Chevron Shipping Company, has succeeded Mr Derr as president of Chevron U.S.A. Inc. and continues as a vice-president of Standard Oil Company of California. **Mr Douglas C. Wolcott**, vice-president and general manager of Chevron Shipping Company will succeed Mr Sylla as president of Chevron Shipping.

INTL. COMPANIES & FINANCE

Dai-Ichi Kangyo leaps towards top of world bank rankings

BY ROBERT COTTRELL IN TOKYO

Dai-Ichi Kangyo Bank, Tokyo

DAI-ICHI KANGYO BANK, Japan's leading commercial bank, is rapidly rising to challenge Citicorp and BankAmerica at the head of the world league of banks. According to The Bankers, DKB moved up five places to rank third in asset terms in 1983. In a survey by the American Banker, DKB has already made it to the top slot.

It had assets at the end of September equivalent to \$110bn. Citicorp, of New York, leads The Banker 1983 league, with \$126bn at December 31, with BankAmerica, based in California, in second place with \$115bn.

Dai-Ichi Kangyo emerged in 1971 from the joining together of Dai-Ichi Bank and Nippon Kangyo Bank.

Both were large institutions in their own right. The merged entity was, and has remained, Japan's largest bank measured by assets, deposits and branches. It is one of the 13 "city banks," the mainstream Japanese commercial banks with mainly urban retail deposit bases.

Being number one or three in the world seems to leave some DKB executives little moved, perhaps because of probable transience. "A currency fluctuation," says one senior manager dismissively, "this year up, next year down."

Being number one in hierarchy-conscious Japan, by contrast, matters a lot to DKB.

Big muscle in the Japanese capital markets helps consolidate relations with large corporate customers, while having the most branches—345—means DKB can at the same time sell itself to retail customers as their "grassroots" local bank.

Its branches are decorated with pink hearts, for DKB promotes itself as a "caring" institution. DKB loan packages have names like "heart's property-ownership plan," and even "heart's two-generation relay loan,' 'a characteristically Japanese form of credit countersigned by a parent and an adult offspring, who agree to make repayments over two lifetimes.

Internationally, DKB ranked ninth among Euroloan syndication managers in 1983. International earnings account for 13 per cent of profits at present, says Mr Yasukiko Ikeuchi, director and general manager of the bank's international planning division. He would like to raise that proportion to nearer 20 per cent in the next three to five years.

However, unlike several other Japanese commercial banks, DKB has not chosen to make a major acquisition in the U.S. or Europe—despite the many proposals from financial intermediaries hoping to line up an American takeover target. The mixed fortunes of foreign institutions which did buy U.S. banks in the last five years have allowed Mr Ikeuchi to take some satisfcation in his cautious tack.

At present, DKB has nine branches, 14 reprsentative offices, and seven subsidiaries overseas. Just over 35 per cent of its assets are in foreign currencies.

Mr Hiroshi Hida, chief of Dai-Ichi's international planning department, believes the bank's best prospects for international growth lie closer to home, in Asia. He sees good prospects for regional trade finance and international loan business centred on Hong Kong, where DKB may soon seek to upgrade to branch status.

Mr Hida takes a sanguine view of Hong Kong's uncertain political future. If DKB has a branch in Hong Kong, and China effectively integrates the territory when Britain's lease runs out in 1997, he says, DKB would be happy to have acquired by that route a branch in China. At present, DKB has representative offices in Peking and Shanghai, but foreign institutions are not yet allowed to do full banking business in China.

DKB, in common with Japan's other major banks, posted strong earnings growth for its 1983-84 financial year, mainly because of improved interest rate spreads and a stable domestic bond market. However, despite the higher earnings, DKB continues to generate a relatively low rate of pre-tax profit on its total assets—0.469 per cent, compared with 0.635 per cent for Sumitomo Bank, the most profitable of the big city banks.

DKB's low profitability is partly a legacy of the 1971 merger, which was originally conceived to generate economies of scale. In practice, the reverse occurred. No staff were laid off and where the merger of hierarchies left two executives doing one job, the salary of the lower-paid executive was raised to the level of his higher-paid opposite number. One DKB executive estimates that even now, after 13 years as a merged institution, DKB is ten per cent overstaffed relative to other banks.

Overstaffing means that DKB's general and administrative expenses, mainly wages welfare, are proportionately higher—equivalent to 0.948 per cent of total assets in 1983-84, compared with 0.844 per cent for Fuji Bank, and 0.768 per cent for Sumitomo Bank. DKB is streamlining, but slowly. In 1982-83, general and administrative expenses had been equal to 1.03 per cent of total assets; in 1981-82, 1.08 per cent.

But if DKB has so far failed to impress with economies of scale, it may soon be able to capitalise on its size in ways not envisaged in 1971. The internationalisation and liberalisation of Japan's financial system is now gathering speed and will tend to improve the competitive position of larger banks which already have international exposure and associated expertise in foreign currency and international asset/liability management.

Also on the domestic front, Japanese banks are in the early years of an electronic banking revolution bringing full-service banking into corporations and households through data terminals. This capital-intensive process will again tend to favour larger banks, which have both the resources to invest, and enough big corporate customers to justify doing so.

DAI-ICHI KANGYO'S PROFITABILITY*

1980	0.292
1981	0.262
1982	0.353
1983	0.320
1984	0.469

PERFORMANCE OF JAPAN'S TOP FIVE BANKS

	Profitability*	Overheads†
Dai-Ichi Kangyo	0.469	0.948
Fuji	0.578	0.844
Mitsubishi	0.517	0.815
Sanwa	0.449	0.836
Sumitomo	0.635	0.768

* Pre-tax profits in year to March as a percentage of total assets.
† General administrative expenses as a percentage of total assets.

INTL. COMPANIES & FINANCE

Terry Povey reports on the problems of the most Westernised company in Japan

New-look Sony plans to fight static sales

"SOON THE world will see a new-look Sony, our character is changing." This is the message that Mr Akio Morita, the company's 63-year-old silver-haired chairman and chief executive, is taking to meetings of analysts and investors across the globe.

For all Mr Morita's confidence, however, there are doubts. Has the company really turned the corner as far as *profits are concerned? Does it* have the new products it needs for the future? Can it avoid further heavy borrowings in order to launch them on a large scale?

Underlying all this is concern that any company as dependent as Sony on the consumer end of the market is especially vulnerable to a downturn in consumer spending. Sony has only a minor presence in industrial electronics, computers and telecommunications, which are seen as the high growth profit areas for the sector.

To many Japanese, Sony is so Westernised that *it is a foreign* concern. It is not a member of any of the gigantic industrial and financial empires that straddle the home economy, almost half of its shares are held abroad and over 70 per cent of its sales are overseas.

Yet in the West, Sony has been for two decades probably the single most potent symbol of Japanese success. And more than any other company it can fairly claim to have started the consumer electronic revolution.

As Japan's first truly international corporation, Sony has had to suffer envy and even enmity from many at home and abroad. When a gang of professional shareholders turned the company's annual meeting in January into a 13½ hour ordeal, there were, therefore, many ready and willing to gloat at its discomfort.

Sony's apparently unshakeable confidence has made the company a ready target for attack whenever its performance fails to match forecasts. When in the fourth quarter of 1982 profits plunged and stayed down for one year—there were many quick to prophesy the company's demise.

At present Sony is coasting along with its existing products. Profits are back up and sales have stabilised around the Y300bn ($1.24bn) per quarter level.

The company's sales performance over the last 10 quarters underlines its problem. Sales have varied over the period by about 7 per cent around an average of Y283bn.

Net profits have been much more dependent on the yen-dollar exchange rate and the burden of debt payments than on the absolute level of sales.

Sony is still highly dependent on products launched in the mid-to-late 1970's Mr Kimio Okura, one of the company's managing directors, accepts that this is a problem "At present VCRs and colour televisions are our main products but gradually we have to change this mix. eW are now taking off from the bottom and there is plenty of room for us to expand,' he says.

Dr Makoto Kikuchi, director of Sony's research and development centre and a member of the main board, takes this need for change a step further, arguing that: "The consumer field is becoming saturated. So we must expand into fields related to ones in which we are already strong. Technology is now maturing and the old Sony dominance has gone. We have to be prepared to enter where others are already operating and compete."

Sony is moving only cautiously in this direction. In January, for example, it decided to sell chips on the market for the first time ever. However, this decision turns out to be far more modest than it initially appeared. The company plans to sell only those products it would have been making anyway—hoping to double last year's modest Y6bn from chip sales this year.

In personal computers the two models launched in Japan late last year have so far failed to make much of a mark for themselves and sales are "not going strongly as competition is stiff," says Mr Okura. And in office automation, where the challenge from IBM is felt to be daunting, Sony's main hope is as a supplier of components to some other company's system rather than in going it alone.

Mr Morita sees the perils of over-diversification. "We are not trying to go into everything—we are concentrating on our information storage technology. We are also concentrating on oud component supply activities," he says.

And, at least in the medium term, the company's future is still closely related to developments in the VCR, television and compact disc markets. In Europe *it may seem that the* growing dominance of the rival VHS system (developed by JVC of Japan) is sweeping everything before it and that the Sony system (which is also used bySanyo and Toshiba) could go into a tail spin similar to that which has apparently doomed Philips' V2000 farmat.

But according to Sony the *position is not that bleak*. About one-third of the 45m VCRs already in homes across the world use the Betamax format. *As manufacturers have shifted* to VHS, Sony's dominance over the minority market has grown. Mr Jim Bottoms, analyst at consultants, Mackintosh International, says that "as a result of this process both Sony and Sanyo are in the top four of VCR sellers in the UK, with the VHS market greatly divided among many suppliers."

Promisingly for Sony, overall sales in the U.S. rose by 47.1 per cent in the first quarter and by 35 per cent in the second (both on comparison with the same quarters in 1982-83) and VCR sales were a major com*ponent of this growth.*

So for the time being Sony can content itself with about 25 per cent of the world market for new VCRs and milk its existing Betamax technology and production facilities for all they are worth. One thing the company says it will not do is to start manufacturing VHS equipment for sale in highly committed markets. "Absolutely not, never under any circumstances. There is no way that we can desert 15m users—if we did no one would ever trust us again," says Mr Okura.

Nor is Sony banking on a rapid move to the much vaunted new standard 8mm tapes. "All VCR manufacturers invested massively in the early 1980s to boost their production facilities and no one wants to introduce a new product too early—we all need to reap the *rewards of our investments in* existing technology," says Mr Okura.

GROUP QUARTERLY RESULTS

		Video (Ybn)	TV (Ybn)	Audio (Ybn)	Other (Ybn)	Total sales (Ybn)	Overseas sales %	Net profits (Ybn)	Net interest payments (Ybn)
1982	Q1	111	66	67	29	273	72.7	20.91	3.56
	Q2	120	60	63	29	273	73.3	11.44	5.45
	Q3	128	75	61	32	296	75.0	11.00	5.87
	Q4	116	62	62	32	272	77.2	2.48	7.41
1983	Q1	113	65	64	31	273	70.9	5.98	5.45
	Q2	110	60	58	35	263	69.4	4.94	3.02
	Q3	114	67	59	35	275	70.8	6.20	2.54
	Q4	120	75	65	40	300	72.9	12.68	2.59
1984	Q1	133	75	62	39	309	70.7	17.27	2.19
	Q2	125	66	63	45	299	71.7	17.75	1.01

Sony's financial year runs to end-October.

Of the new products the most promising for growth has to be the compact disc. Sony's CDP-101 was selected as "product of the year" by Fortune magazine in 1983 and few doubt the sound reproduction superiority of the compact disc over its cassette and vinyl predecessors.

But the marketing problem remains. Although by early 1984 *the players had fallen some 40* per cent in price since they were first launched in 1982, they are still considered too pricey for a mass market.

Another big drawback has to be that at present it is not possible to record one's own discs — although Sony has developed equipment with this facility for professional use. Sales of the compact discs are, however, steadily rising. In the first quarter of this year shipments totalled 35,000 against 100,000 for the whole of 1983. But Sony will soon have to bear the brunt of the price war analysts are forecasting.

Although there are other products that could be mentioned, only the Walkman (sales of 3m forecast for 1984) and the micro-floppy disk system are likely to have any major impact on company revenues.

And of these two the floppy disc is the most important in terms of future potential. For Sony is actively pursuing OEM business in this area and also supplies its system to Apple Computer and Hewlett-Packard of the U.S., and ACT in the UK.

Monthly production of 100,000 floppy disk drives and 1m discs is due to grow to 300,000 drive units and 5m discs by the autumn.

So where does all this leave the company's finances. *Sony is haunted by the* "black year" (fourth quarter of 1982 to third quarter of 1983) when earnings dropped to their lowest levels since 1979. The biggest single factor in this was the considerable interest and repayment burden arising from the company's massive spending in 1981 and 1982 ($930m was invested in two years) and for financing its large inventory.

In order to stay strongly in the black, Sony has been obliged to cut inventories and keep capital investment levels "very low for the next two years." R and D spending has also been reduced from almost 8 per cent of sales to under 7 per cent, although the amount—around Y80bn—will not change much.

The company has several times spoken of holding back on new products for "business reasons." The threat of a new round of heavy debt is clearly making Sony cautious on spending.

"We are paying great attention to keeping our financial position healthy," says Mr Morita and action to keep costs down heads the company's 1984 target list. "First, we will further strengthen our financial structure. We will take every step necessary to build a firm base which will not shake when subjected to severe conditions such as the world's recent depression," says the chief executive.

There has already been a sharp fall in the interest burden—net payments were Y3.2bn in the six months to April 30 compared with Y8.5bn in the previous year.

Therefore it is far too early to write Sony off. The company's record speaks for itself and it *remains a world leader in information* storage technology—from video and cassette tapes to floppy and laser discs. What it cannot now afford to do is to attempt to chase after its competitors into all the new high-tech fields. The challenge for Sony is to make the right choice on its future directions and not to be distracted by considerations of pride at losing some ground to competitors.

NOL to buy two ships from Hyundai of Korea

SINGAPORE—Neptune Orient Lines (NOL) has announced an agreement to buy two container ships from Hyundai Heavy Industries of South Korea for US$54.40m. NOL, Singapore's flag-carrier, retains the option to order two more sister ships.

Hyundai has agreed to subscribe for 11.3m new NOL shares, priced at S$2.34 (U.S.$1.09) each. (The valuation of NOL shares was based on an average of its share price between May 15 and June 15: On Monday, NOL closed at S$2.26.) NOL will use the proceeds of the sale to pay partially for the new ships. The rest of NOL's purchase will be financed by a long-term credit from the Export-Import Bank of Korea.

The move will boost NOL's paid up capital by 8.69 per cent to 141.3m shares, and is not expected to affect earnings for 1984. The issue will reduce NOL's net tangible assets per share from S$2.55 to S$2.53, NOL said.

The inter-company agreement is conditional upon approval from the Stock Exchange of Singapore.

AP-DJ

Asahi Glass raises forecasts

ASAHI GLASS has raised its parent company sales forecast for 1984 to Y590bn ($2.45bn) from Y580bn. In 1983 sales reached Y541.13bn, **Reuter reports from Tokyo.**

The company said 1984 pre-tax profits were forecast at more than the original estimate of Y50bn, compared with Y46.53bn last year, but gave no figures. The Y8 dividend will be maintained.

The higher forecasts are based on expectations of good sales of sheet glass for cars and glass bulbs for colour televisions and computer displays.

Asahi Glass plans to raise parent company pre-tax profits to Y100bn on sales of Y1,000bn by 1988, helped by optical fibres, integrated circuit-related products, other electronic materials and engineering ceramics.

Capital spending in 1984 is being increased to Y45bn, including 20 per cent on new products, from the Y40bn planned earlier and the Y25bn of 1983. Capital spending is expected to be kept at the 1984 level until 1988.

The company will spend Y15bn on research and development in 1984 against Y14bn in 1983, and expects this to total Y110bn from 1984 to end-1988.

● NTN Toyo Bearing, Japan's second largest manufacture of ball bearings, has reported group net profits of Y11.4bn ($47.3m) for the year to March 31, up by two-thirds from the Y6.94bn of last year, **AP-DJ reports from Tokyo.**

Sales were 5 per cent higher at Y226bn and pre-tax profits were 17.9 per cent ahead at Y18.05bn. Earnings per share rose from Y24.27 to Y35.35.

NTN Toyo earlier reported parent company net profits of Y7.08bn and sales of Y203bn. It is forecasting group net profits forthe current year of Y12bn on expected sales of Y255bn. Pre-tax profits should reach Y20bn and earnings per share Y37.36.

● The Export-Import Bank of Japan has made available a standby loan of Y2bn ($8.3m) to the government-backed Bank Bumiputra Malaysia, under its light industrial plant procurement facility, **AD-DJ reports from Kuala Lumpur.**

The Malaysian bank said the loan would be extended to small- and medium-sized industries to import machinery at fixed interest rates. This is the first time Malaysia has obtained such a loan from the Japanese bank.

Hong Kong CD for Australian Bank

AUSTRALIAN BANK has arranged a US$100m certificate of deposit facility in Hong Kong, according to Paribas Asia, which will act as issuing and paying agent.

Mr Paul Chang, an assistant manager at Paribas Asia, said the facility allows Australian Bank to issue negotiable U.S. dollar certificates of deposit on a revolving basis for a period of five years, **AP-DJ reports from Hong Kong.**

The terms of the certificates issued under the facility will range from one month to six months, with the yield to be fixed by Australian Bank prior to the issue.

Mr Chang said the facility is the first to be arranged by an Australian bank without the use of an overseas branch. It is also the first U.S. dollar-denominated certificate of deposit facility to be arranged entirely in Hong Kong, he said.

Paribas Asia is a wholly owned subsidiary of Compagnie Financiere de Paribas.

Supreme sells loss makers

SUPREME Corporation, the diversified Malaysian group, has announced the sale of its plantations, palm oil mill and chemical factory for nearly 57m ringgit (U.S.$24m) and an increase in its stake in QBE-Insurance from 37 per cent to 51 per cent, writes **Wong Sulong ...from Kuala Lumpur.**

The plantations and chemical operations lost 7m ringgit last year.

Supreme is controlled by Mr Tan Koon Swan, who is also managing director of Multi-Purpose Holdings.

UK COMPANY NEWS

LMI 'acquisitions justified' as profit rises to record £5m

PROFIT RECORDS were broken at London and Midland Industrials in the year to end-March 1984 and shareholders are set to receive a better than forecast dividend.

Mr C. M. Beddow, the chairman of this engineering, industrial services and consumer products concern, says that virtually all companies performed well with many of them achieving record results.

For the group as a whole profits at the taxable level advanced from £2.93m to just over £5m on turnover ahead by £30.59m to £71.17m.

The dividend is being raised from its static level of 7.75p over the past four years to 8p by a final payment of 4.5p. At the interim stage when profits were ahead at £2.21m, against £1.31m, the company said it would match last year's payout.

The results include a first full year contribution from the seven companies purchased from Johnson and Firth Brown in January 1983.

These businesses performed ahead of expectations, "more than justifying the acquisition," Mr Beddow states.

Also, the year included first time results from Banbury Homes and Gardens, which the company acquired in April 1983. Following the reorganisation of this company into three separate subsidiaries, Mr Beddow says that they are all trading profitably and for the year under review contributed £500,000 to group profits.

Commenting on current year prospects Mr Beddow says "the new financial year has opened strongly and we view the prospect of further growth in the future with considerable confidence as we now have a very firmly based and well diversified group."

Taxable profits for 1983-84 were struck after higher interest payable of £1.14m (£353,000) but included higher income from investments of £220,000 (£4,000).

Net profits emerged at £2.6m (£1.69m) after a £2.42m (£1.24m) tax charge. After minorities and extraordinary debits of £461,000 (£547,000) the attributable balance came to £2.12m (£1.14m).

● comment

London and Midland Industries surprised the market with how much it could pull out of its mixed bag of companies and the shares promptly jumped 9p to 128p. The biggest success of this mini-conglomerate of 22 *companies was the scale* of the turnround at the Banbury businesses bought only last April from London Brick which sit easily in the group alongside the healthy Compton operation. Both these home improvements businesses have had a flying start to the current year with a *flood of orders* in advance of the June VAT deadline. The seven companies bought from Johnson and Firth Brown in late 1982 have also on balance been an excellent buy—with the gains from the top-performing U.S. furniture packaging company exceeding the disappointing South African and Australian companies which have been linked into a joint venture with an outside partner. Elsewhere, there has been growth across the board, except in two smaller subsidiaries, one making soil testing equipment for the depressed Middle East market, and the other a compass-making company which has been sold off with a book loss of about £450,000, included in the extraordinary item. The yield at more than 9 per cent is high, though the cover is thin. Pre-tax profits should beat £6m this year, putting the shares on a prospective p/e of about 9, fully diluted, on a 40 per cent tax charge.

Wintrust moves ahead to £2.4m

A SATISFACTORY increase in profits, before tax, from £2.15m to £2.38m has been shown by Wintrust, banker, for the year to the end of March 1984. The directors say that the successful trend in profitability has continued during the first three months fo the current year, and expect that full year profits will again be at record levels.

The net final dividend has been lifted from 2.6p to 2.87p which raises the total from 3.91p to 4.3p. Earnings per 20p share are given as higher at 14.85p (14.01p).

Against the background of *both fierce competition throughout* the bankng industry, and the difficult circumstances affecting the banking industry across the world, the directors say it is very encouraging that to have been able to increase profits so satisfactorily.

The group has had no exposure *to* bad debts arising from international loans and, as a consequence, has no need to make any provisions against such debts.

The balance sheet continues to remain strong, with gross assets having risen some 25 per cent from £83m in 1983 to more than £100m. Liquid assets have reached a *level exceeding 50 per* cent of total assets and 60 per cent of deposits.

After extraordinary costs of £496,358 (deferred tax), against £43,796, ordinary dividends will absorb £335,227 (£250,671). Preference dividends take the sameagain at £110,946 leaving profits up from *£361,617 to £446,173.*

CML Microsystems

A pre-tax profit of £912,204 for the year to March 31, 1984, compares with the forecast of £841,000 made by CML Micro*systems at the time of its entry* to the Unlisted Securities Market in February.

The directors say the results indicate sustained second half growth in profitability. The pre-tax figure expanded by 125 per cent from £404,146 and turnover was up by 61 per cent from £2.61m to £4.22m.

Tax rose from £1.51m to £3.39m and there were minority debits this time of £13,573, leaving attributable profits up from £253,132 to £559,781. Earnings per 10p share more than doubled from 3.1p to 6.8p.

The present year has started well, say the directors, with current sales and order books of both UK and U.S. operating companies ahead of the corresponding period last year. The investment programme to increase design and production facilities is running to plan.

As indicated in the prospectus, the directors do not intend to recommend a dividend for the year to March 31, 1984.

Fuller tops £3m

The progress achieved during the first six months at Fuller, Smith & Turner, brewer, has been maintained for the whole of the year to March 30 1984.

Taxable profit passed the £3m mark for the first time to finish at £3.08m, up from £2.6m, on turnover which increased by 14.2 per cent to reach £32.26m.

The directors are proposing a final dividend of 3.25p per £1 A ordinary share, making a total of 5.25p for the year against 4.44p adjusted for last August's capitalisation. The B ordinary shares receive their due proportion. Earnings per £1 share are given as 21.76p (20.93p).

The tax charge was up from £1.07m to £1.43m, and after an extraordinary debit £466,000 (credit £1.35m) the attributable figure was £1.09m (£2.86m).

Fleming O'seas Tst.

Revenue attributable to ordinary shares rose from £2.83m to £3.2m in the year to June 30 1984 at Fleming Overseas Investment Trust.

The improved results emerged from gross income which also increased, up from £5.47m to £6.24m, from which management expenses took £500,440 (£329,736), interest £10,656 (£15,294), and tax £2.5m (£2.28m).

The second interim dividend is unchanged at 4p per ordinary share, to maintain the 7p total. Earnings per share are shown at 7.23p (6.38p).

Yearlings at 11¾%

YEARLINGS AT 11¾ PER CENT

The interest rate for this week's issue of local authority bonds is 11¾ per cent, up ⅛ of a percentage point from last week and compares with 10 7/16 per cent a year ago. The bonds are issued at par and a re redeemable on July 17, 1985.

A full list of issues will be published in tomorrow's edition.

Diamond Stylus

IMPROVED pre-tax profits of £81,507, against £75,462, have been reported by Diamond Stylus for the year ended March 31 1984. *The company which manufac*tures and distributes diamond-tipped gramophone styli, raised turnover by £126,229 to £2.15m.

Profit after tax turned out at £69,207 (£75,450), and after adding back taxation reserves, the result was £85,276 (£227,016). The directors propose raising the dividend to 0.5p against 0.455p last time.

Saxon Oil

Saxon Oil's recent one-for-four rights issue has been taken up by holders accounting for 4.43m *(99.38 per cent) of the shares* offered. The balance has been sold in the market at premium of 70p gross per share.

£6.6m turnround at Time Products

REFLECTING the results for the year ended January 31 1984—showing a turnround of £6.6m—and the confidence in the future, Time Products is returning to dividends with a 1p net payment.

In the UK profits almost trebled and in Hong Kong the Remex Group showed a dramatic turnround. Aided by a substantial cut in finance costs this gave a pre-tax profit of almost £2.7m for the year, compared with a loss of £3.88m. Remex reduced its borrowings from £18m to £12m, and the bankers have shown confidence by converting relatively short term borrowings to three year loans.

In return the banks have been granted an option over 10 per cent of Remex for £229,000 exercisable 1991.

The company is a watch and clock distributor, manufacturer and retail jeweller.

Turnover in the UK rose from £28.6m to £30.54m, and profit came to £1.42m (£501,000) before finance credits of £32,000 (costs £225,000). Remex produced turnover of £20.15m (£33.76m) and a profit of £3.9m (loss £57,000), subject to finance costs of £2.65m (£4.1m). As a result of fundamental changes in management structure and trading policies Remex is now more soundly based. The product quality and range have been further improved and unprofitable areas discontinued. Surplus property is being sublet to generate income.

After group tax of £213,000 (credit £57,000), minorities £9,000 (same) and extraordinary debits £37,000 (£8m), the available profit comes to £2.44m (loss £11.83m). Per share earnings are 4.99p (loss 7.73p).

Retail turnover showed a satisfactory increase and overheads were contained while margins were maintained. Recently six shops trading as McGowans have been acquired, and new outlets continue to be sought. By January the group expects to have 112 branches in total.

On the wholesale side, Sekonda held its position as one of the leading UK watch brands, Limit International showed increased sales volume, Longines made steady progress and Vacheron et Constantin sales reached a record.

● comment

A pity Hong Kong interest rates jumped 3½ points to 17 per cent just days ahead of Time's full year figures. It was a sharp reminder of how vulnerable the Remex subsidiary remains, which largely countered any market reaction to an otherwise impressive turnround in last year's performance. Borrowings remain a constant problem, the £12m of debt is all Hong Kong variable rate and bankers' confidence in turning that into three year money at little cost to Time was somehow lost yesterday as the market started working out what the new interest rates mean. Some property sales would be no end of help but the best that can be hoped for is that the 40,000 sq ft of empty space might be let eventually. With the currency base swinging around, astronomical overnight interest rates and confidence in very short measure Remex will be doing well if it makes £1m this year. In stark contrast the British business shows what can be achieved with tighter management controls and better marketing. The UK might get within shooting distance of £2m in 1984-85 (with the usual caveat over Christmas) so there could be some overall group progress. The shares at 32p may need a little more than that to start performing again although an earnings multiple of 6 restricts the downside risk.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:— General Consolidated Investment Trust, Goring Kerr, Southern Business Leasing, Tace, TSL Thermal Syndicate.

Finals:— Brengreen, H. P. Bulmer, Daejan, Helical Bar, Leopold Joseph, Moorgate Investment Trust, William Ransom, Rotaprint, Tex Abrasives.

FUTURE DATES

Interims:—	
Bibby (J.)	Aug 15
Boothem Engineers	July 31
Eurotherm International	July 19
Midland Bank	July 26
Finals:—	
Bevan (D. F.)	July 17
Black Arrow	July 20
Burtonwood Brewery	July 12
County Properties	July 19
Group Lotus Car	July 13
Hampson Industries	July 18
Jarvis (J.)	July 31
Norton Opax	July 25
Oceonics	July 12
Victoria Carpet	July 13

Stroud Riley yarn fire hits profit growth

IN ANNOUNCING the first fall in taxable profit for four years, the directors of Stroud Riley Drummond explain that the disappointing result, a decline from £1m to £916,000, was below their expectations for "exceptional reasons."

A major *pre-tax profit short*-fall was recorded during the second half of the year to March 31 1984 by the group's worsted fabric division, the largest part of its operation, because one of its major yarn suppliers suffered a very serious fire.

The profit fall, however, has not led to a cut in the dividend, which, with an unchanged 1.5p final, holds the year's total at 2.25p.

Turnover of this manufacturer of worsted suitings and knitted fabrics, virtually static over the year at £15.2m against £15.1m, showed a slight decline in the second half from £7.44m.

After tax had taken £172,000 (£221,000), an extraordinary debit £398,000 (£115,000) related to the cost of ceasing activities in certain product lines for which profitable export markets were no longer available, and the costs of closing Krantz-Longbottom BV the Dutch subsidiary of Longbottoms (Sower Bridge). This company was acquired last November for a nominal consideration, and had sustained sizeable losses over the previous four years.

Commenting further on the export performance, for which the group was awarded the 1984 Queen's Award, the directors state that the significant increase over the past three years was not continued into the year under review. However, they still expect long term expansion in overseas sales.

As regards the future, the company expects that insurance for the consequential loss from the fire will provide a "satisfactory outcome." In general the textile climate has improved, and despite the "usual difficulties" the directors are confident that the group's progression over the last four years will continue.

● comment

Fire at a major supplier was the most spectacular of Stroud's difficulties last year, but it should not divert attention from the group's own problems. When supermarket entrepreneur Stefan Simmonds took control four years ago there was an immediate recovery in the teeth of recession, but group profits have been becalmed at about £1m pre-tax for the past three years, despite the recent upswing in textiles. Last year's acquisition hid a nasty surprise in its troubled Dutch subsidiary, which together with the cost of rationalising export sales, absorbed almost half of pre-tax profits. Stroud is investing heavily to deal with one major problem—a lack of capacity—by installing new equipment and overhauling the old. It is also setting great store by expanding its range of cloths for leisurewear, the fastest expanding market in textiles. But these changes seem to have taken more time than originally anticipated, while all the time the cost of raw materials has been pushed up by the falling pound. The group has a secure base in its Marks and Spencer contract—about a quarter of sales—the question is how easily sales can be expanded home and abroad without squeezing the creditable margins, currently 7.7 per cent, or running into more "exceptional" difficulties. The shares, down 2p to 63p, trade on a historic p/e of six.

R. Kelvin Watson 'adjusting to problems'

TRADING profit for R. Kelvin Watson, opticians, rose from £540,201 to £578,439 for the year to March 31, in line with expectations. The previous year's £805,201 pre-tax profit is not directly comparable with this time's £578,439 as it included £265,000 arrears of National Health Service fees received in respect of prior years.

Turnover improved from £8.1m to £9.02m, and the final dividend is 2.95p, making a total for the year of 4.25p, against 4p last time.

As a result of capital allowance changes, tax took £250,402 (£243,532). The charge this year was £81,610 higher than would have been the case under the legislation prevailing last year. There was an extraordinary debit of £304,181 (£15,486), representing provision for deferred tax.

Earnings per 10p share were 9.58p (17.67p).

The directors are confident of prospects, despite the April 1984 increase in NHS charges and Government-sponsored legislation that is expected to alter conditions by enabling non-qualified dispensers to supply spectacles to prescriptions supplied by qualified practitioners.

The company has increased investment in practice improvements and contract lens manufacturing capacity. The board also reported signing two contracts with American-based companies, for the manufacture of gas-permeable contact lenses and for a soft contact lens technology transfer agreement.

The board "remains confident" that the company will be able to maximise opportunities offered by the new legislation

Entertainment Prod.

Most of the 2.1m shares of Entertainment Production Services offered for sale on the USM by brokers Statham Duff Stoop at 58p per share have been left with the underwriters. Applications were received for only 254,000 shares which will be satisfied in full. Dealings are expected to begin on July 17 1984.

UK COMPANY NEWS

Marling over £2m and current year starts well

Marling Industries has pushed full-year taxable profits just past the £2m mark for the first time ever and says that both sales and profits so far in the current year have recorded healthy increases.

The profit, compared with £575,000 previously, was achieved on turnover of £27.4m, against £26.07m and was struck after interest payable of £522,000 (£564,000). There was no contribution from associates, but this is an improvement on the £131,000 loss returned in the comparable 12 months.

Marling, an industrial textile manufacturer, is raising the dividend from 1.08p to 1.3p with a final payment of 0.78p.

At midway, profits amounted to £789,000 (£398,000) on turnover of £12.82m (£11.4m).

"The past months have proved some of the most significant in Marling's history," says Mr Peter Held, the managing director.

"We have concluded a number of transactions which have both released capital and provided a strong base for future development. At the same time, results have started to come through from management effort, to develop new products, invest in modern machinery and build strong management.

Earlier this year Marling negotiated the disposal of its woven and non-woven cloth manufacturing interests in Stroud, Gloucestershire, which will release approximately £1.2m.

On June 29 Marling entered into an agreement with "W" Ribbons to purchase its interests in Lolift (UK), Europtiss SA (France), Lolift Verwaltungs and Lolift Verpackungs (Germany).

In the year to June 30 1983 these interests made £444,000 before tax. The agreement is conditional upon approval by shareholders of both Marling and "W" Ribbons.

Also in June Marling acquired a 10 per cent interest in Collingwood Fabrics Inc, a webbing manufacturer located in Ontario, Canada. Marling has options to increase this stake either to 25 per cent or 49 per cent.

This transaction places Marling much more firmly in the North American market, and has enabled it to secure a major order worth approximately $2m for seat belt webbing in the U.S." says Mr Held.

Tax for the year took £647,000 (£197,000) and there were extraordinary debits of £442,000 (credits £180,000). Earnings per share were 8.93p (2.48p).

Utd. Leasing doubles to £3½m—outlook promising

MORE THAN doubled profits of £3.45m for the year ended March 31 1984 are announced by United Leasing. And the current year already looks very promising—the directors are certain that year-end results "will again be exciting."

The group leases and sells second hand IBM machines as well as selling new computers. It is in the process of reducing its exclusive dependence upon IBM by exploring new related business areas.

In the U.S. this includes financing for high technology products, including satellite transponders. At home it includes diversifying into micro-computer and micro-software distribution, software funding and lease packaging for one-off financial structures.

The business effect of the 1984 Budget is expected to reduce the dominance of the subsidiaries of the main clearing banks, and to open the market to independent leasing companies having "the creative talent to develop new market opportunities."

For the year 1983-84 a final dividend of 2p is recommended giving shareholders 2.8p net. The company's shares were brought to the market a year ago when some 30 per cent of its capital was offered for sale by tender at a minimum price of 140p.

Turnover expanded from £26.21m to £51.47m and the operating profit from £5.13m to £10.18m. After operating expenses £4.45m (£2.24m), interest payable and similar charges £2.48m (£1.65m) and taking in investment income £212,000 (£282,000), the pre-tax profit is £3.45m (£1.53m).

Tax takes £242,000 (£325,000) and net earnings are shown to be 22.9p (11.3p) per share. There is an extraordinary debit of £121,000 this time for deferred tax provision.

Each of the major subsidiaries exceeded its target for the year. The U.S. in particular performed well and achieved its goal of contributing more than half of group profits. Reflecting this success an additional sales office will be opened later this year on the West Coast. In addition to the existing two offices in New York and Florida.

Progress in Germany has been achieved in recruiting and developing a strong sales force at the new offices near Dusseldorf, with the result that contribution to profits during the current year is already significant.

In the UK two particular business ventures were developed during the year and are also making respectable contributions to current profitability.

Mr Pelham Brian Allen has been appointed to the board as group finance director.

● comment

Since just over half of UL's gross profits derive directly from the company's own estimate of the residual value of its leased assets, the central investment risk facing shareholders boils down to the management's ability to keep track of the sophisticated secondary market in computers. If UL is successful in this, estimating residual values on new contracts at a prudent discount to market values and downgrading those residual values where necessary, the admittedly complex accounts need not prompt undue scepticism about the rate of the company's growth. UL's record to date is encouraging and the total residual value of the portfolio at £9.7m today compares with an estimated market value of about £17m. Prospects in the U.S. look bright, with pre-tax profits there up from £0.3m to £1.9m, the cash flow is now positive and the company appears to be repositioning its portfolio shrewdly. Pre-tax profits of £5¼m in the current year would imply a prospective p/e multiple for the shares of about 7½ at 284p.

F. H. Lloyd recovers to £1m

DESPITE persistent weak demand in most of the group's market's, taxable profits of **F. H. Lloyd Holdings**, steel founder, engineering concern, moved along the recovery road with £1.06m for the year ended March 31, 1984, compared with £635,000 last time. External sales slipped from £66.64m to £66.08m.

The dividend is lifted from 1p to 1.25p per share.

Most of the profit increase was achieved by midway, when profits were £406,000, against just £33,000, and although the directors said the modest improvement was encouraging, they warned that market uncertainties and severe competition persisted.

The group achieved a record £5.9m in 1976-77 on sales of £63.7m.

Although competition in most areas remains severe, and the first months of the current year have been sluggish, Mr Lewis Robertson, chairman, says that directors continue to expect a further improvement in the outturn for 1984-85.

"The changes inthe past two years have eliminated the weaker units and the move into fields of greater growth poential will continue."

A divisional analysis of external operating profits, £2m (£1.63m), shows: foundries £21.09m (28.39m) and £714,000 (£580,000); steel £26m (£18.6m) and £368,000 (£16,000); engineering and services 18.99m (£19.64m) and £914,000 (£1.03m).

Mr Robertson says the group has closed its largest steel foundry and with the later closure of two steel mills "has come to grips with the problems of overcapacity and continuing depressed markets which were impending group progress."

He adds that there have been constructive divestments and investments in engineering and services, and the group has acquired stakes in two potentially important growth areas—a 40 per cent interest in Lee Beesley Holdings, a mechanical and electrical engineering contractor, and Rollstud, a supplier of high quality fastenings to oil gas and petrochemical industries.

● comment

These results from **F. H. Lloyd** show how extraordinarily well the company has capitalised on public funds to help it rationalise its way out of trouble, leading to a useful profits improvement at a time when trading conditions in the traditional areas of activity are still in deep recession. By cutting out all surplus capacity, the way is now clear for management to start concentrating on bettering margins. This will not be easy given the underlying state of the foundry and steel markets, so it makes sense for Lloyd to switch its strategic emphasis to engineering and services, which at least have some growth potential. The indications so far are that all subsidiaries are now trading profitably. With no more extraordinary or exceptional debits expected and up to £4m income possible from the sale of plant, this year looks set fair for another improvement. At 32½p Lloyd is capitalised at £7.8m.

Britannia Security to raise £920,000

By Alison Hogan

Britannia Security Group which comes to the USM this week capitalised at £5.3m expects domestic security systems connected to a central monitoring station, to be as common as central heating in a few years' time.

It is with such a potential market in mind that stockbrokers Roy James this week places 1.76m shares at 62.5p per share to raise £920,000 for the company.

Britannia Security supplies and instals commercial and domestic security systems. It has a fully computerised central monitoring station at Maidstone, Kent, manned 24 hours a day.

Of an estimated 5,000 operators in the fragmented security industry, only a small number have a central monitoring system. Britannia which has about 2,900 systems connected nationwide, has a potential capacity at Maidstone of 50,000 connections.

The directors, none of whom are selling shares, expect to use the funds raised to increase working capital and acquire the assets of other companies in the sector which can then be linked in to the station. The company both sells and rents its installations. It does not manufacture the equipment and double sources most supplies.

Pre-tax profits in the nine months to March were £246,000 compared with £146,000 for the year to June 1983. Turnover more than doubled to £1.8m. The directors forecast a pre-tax profit of £350,000 for the full year to June 1984 which puts the shares at 62.5p on a prospective p/e of 11.42 and a yield of 2.29 per cent.

Mebon

A decision by **Mebon** to provide an additional £40,000 against bad debts has meant that pre-tax profits for the year ended March 31, 1984 have not reached the directors' expectations. They amounted to £604,000 compared with £606,000 previously. The final dividend is the 2p net promised when the company came to the USM last November.

The directors point out that the group has enjoyed a very good debt record, but in the past two months of the year certain debtors ran into unexpected financial difficulties. It is likely that some substantial recovery of the provision will be possible.

Turnover of the group, which makes industrial protective coatings, was up from £4m to £4.5m.

Howden Group rises to £10m with order book at high level

PRE-TAX profits of **Howden Group**, Glasgow-based engineer and specialist in manufacture of air, gas and fluid handling equipment, moved ahead from £5.69m to £6.36m in the second half and finished the April 30 1984 year at £10.07m, compared with £9.25m.

The group's order book continues at a high level, directors state, liquidity remains healthy, and they anticipate a satisfactory result in the current year.

After tax of £3.17m (£3.54m) earnings per 25p share were 9.7p against 9.1p and the dividend is effectively lifted from an adjusted 2.42p to 2.8p with a final distribution of 2p.

James Howden and Co, Glasgow, made a further substantial contribution to group profits, while James Howden South Africa had a successful year, the company receiving an order for a major replacement of equipment for Hendrina power station.

The directors say that work on the fans and preheaters for Lethabo and Kendal power stations will continue to maintain a base load for some years.

James Howden Amsterdam had a good year, directors say, during which a contract was obtained for air preheaters for Borssele power station in Holland. Although James Howden America had a quiet period, with the recovery in the U.S. economy, prospects for the current year are more promising.

Results of the refrigeration companies reflected the depressed conditions in the industrial refrigeraton market.

Airscrew Howden figures fell short of expectations, but an improved performance is anticipated in the current year while Noa Airscrew Howden, California, had a good year with an increased profit contribution.

Howden Attack and Howden Safanco, South Africa, specialising in industrial and mining pumps and small fans, both had satisfactory years — Howden Safanco has received a contract for the supply of fans for the dry cooling system at Matimba, the world's largest dry cooled power station, directors point out.

In Canada Brown Boveri Howden increased its contribution to group profits, and Godfrey Howden had a satisfactory year.

James Howden, Australia, produced another good performance, with fabric filter activity that predominant feature. Contracts on hand for this product form a base load for the company for some years the directors say.

Godfrey Howden, Australia, showed a satisfactory level of activity in the aircraft division, but this was nullified by lack of business in the depressed industrial market. Action is being taken to restore the industrial division to profitability and to ensure a positive contribution in the future.

HIGHLIGHTS

Lex concentrates on the latest shunt in the financial markets and the looming certainty that base rates will have to rise further. In the market, equities really ran into institutional selling in response to interest rate fear, a feature which has been largely absent recently despite weak prices. The column also looks at the Stock Exchange's proposals for a new dealing system which is going to be based on a competing market maker system. Finally Lex examine's Mr Maxwell's latest bid for Mirror Group Newspapers and the problem it sets for Reed's board which still appears bent on a public flotation.

● comment

As ever, Howden's figures set the market ablaze with indefference yesterday. It seems rather hard that a heavy engineering group which has managed the remarkable feat of increasing profits in every year of the recession should be seen as so dull. But with a good half of turnover coming from long-term power station contracts, Howden is unusually proof against the economic cycle; and conversely, it could never be termed a recovery stock. Its economic immunity has been further increased by last year's acquisitions, which bring defence work to a further 15-20 per cent of group business. The remaining 30 per cent or so—compressors and the like—should see some benefit from a cyclical upturn; but this has apparently been largely confined so far to inquiries and initial orders, rather than completed sales. Current year profits should increase at the usual decorous pace, to around £11m. On a 35 per cent tax charge, this puts the shares—up ½p at 70p—on a multiple of 6¼; the yield is 5.7 per cent. Unsurprisingly, this looks like just about the right valuation.

Birmingham Mint stops slide in second half

A NOTICEABLE improvement in trading conditions enabled the **Birmingham Mint** group to maintain its profit at £296,000 in the second half. This follows the difficult interim period when only £38,000 was made, and gives £334,000 for the full year ended March 31 1984, compared with £560,000.

Given the continuing improvement, the directors are holding the dividend at 10.5p net per share, the final being 7.5p.

The better trend shows every sign of improving further in the current year. All parts of the group are participating, although the coinage side still has some way to go to earn a return on capital with which the directors feel they can be satisfied.

Electro-Precision Components and United Presswork (the new acquisitions) are not included in the results but they have been integrated into the group and are expected to contribute significantly to profit this year. Group turnover is currently running at approximately double the level of 1983-84.

In the past year turnover improved marginally to £10.71m, from £9.88m. Both J. R. Gaunt & Son and Birmingham Mint Pressings performed well. That was offset by exceptionally low demand for overseas coinage in the currency division, although there was an encouraging upturn in orders towards the end of the year.

Tax takes £66,000 (£169,000) to leave the net profit at £268,000 (£491,000), or 13p (24.1p) per share. There is an extraordinary debit of £258,000 (credit £50,000) being a provision for deferred tax arising out of the Budget proposals.

The group's main activities cover the making of coins for foreign countries.

Allied Lyons

Allied Lyons is still forecasting increased profits for the current financial year from sales in its beer, food, and wine, spirits and soft drink divisions.

"We have budgeted for an increase in profit, for this year as a whole, contributed from each of the three divisions. From where we are today I cannot see any reason why that profit budget should be altered," said Sir Derrick Holden-Brown, Chairman of Allied Lyons yesterday at the Annual General Meeting.

Pre-tax profits for the year ending March 3, 1984, advanced to £194.9m compared to £159.6m in the previous year.

UK COMPANY NEWS

Murray Tech. lifts unlisted securities investment to 79%

HIGHER management expenses at Murray Technology Investments more than offset an increase in dividends and interest resulting in lower net revenue before tax of £113,763, against £221,566, in the year to end-March 1984.

Dividends and interest for the year rose from £451,551 to £475,885 but management expenses climbed by £131,194 to £338,001 — other expenses amounted to £24,121 (£23,178).

As forecast at the interim stage the dividend is being reduced with the directors recommending a payment of 0.6p compared with 0.75p.

Tax took £19,007 (£84,958) to give attributable revenue of £94,756 (£136,608). Dividends will absorb £90,000 (£112,500).

Net asset value per 25p ordinary at the year stood at 139.1p against 134.9p a year previous.

During the year an additional nineteen investments were completed in new unlisted companies at a cost of £3.86m, which was split as to £3.33m in fourteen U.S. companies, £399,453 in four in the UK, and £132,402 in one Danish company.

Unlisted investments now represent 79.4 per cent of shareholders assets with 48.8 per cent in the U.S. and 29.4 per cent in the UK.

The combined value of listed and unlisted investments, government bonds and net cash at thte year end amounted to £20.86m (£20.24m).

The value of listed investments at March 31 was £2.91m (£4.51m) and unlisted was £16.56m (£13.96m). Government bonds and net cash totalled £1.4m (£1.77m).

● comment

A decline in the share prices in the U.S. technology sector of the order of 29 per cent has inevitably hit the portfolio valuation of Murray Technology in the past year. One spin-off has been a lowering of the cost of investing in unquoted technology companies, providing Murray Technology with some exciting investment opportunities which it has not been slow to exploit. The company's strategy is to increase the proportion of assets invested in unquoted companies. The track record of director Ross Peters to date on such investments bodes well for the future. Its most recent UK investment to seek a quotation is TDS Circuits. Dealings are about to begin on the USM with the initial offer having been comfortably oversubscribed. The valuation at the offer price of 380p for Murray Technology is £1.25m competed with the £731,500 company valuation included in the report and accounts. Several more companies should seek a listing in the next 12 months, helping towards a further significant improvement in net asset value.

Bett maintains recovery

THE RECOVERY shown by Bett Brothers in the second half of last year has been maintained in the first-half of 1983-84, and directors are confident of prospects.

The building and ancillary services group suffered a £320,000 loss to the end of February last year, but reversed the trend to make a pre-tax profit of £376,000 by the end of the year to August 31. In the half-year to February 29 1984 the pre-tax profit amounted to £616,000.

The directors expect to finish the year with £1.1m.

Turnover at midway was up at £11.5m (£9.21m) and is forecast to finish the year at £20.5m (£20.05m).

The interim dividend is raised to 1.2p (1p) while tax for the half-year was £308,000 (nil).

Until the turnround last summer, group pre-tax profits had been declining from a peak of £2.86m in 1976-77. The forecast for end-1984 still puts profits at a level below the 1981-82 level of £1.27m.

APPOINTMENTS

New BUPA chief

BUPA has made the following appointments: Mr D. V. Damerell will retire as chief executive on August 4 and has been appointed deputy chairman on a non-executive basis. On August 4, Mr R. M. Graham, acting chief executive, will become chief executive and Mr K. G. P. Crafter becomes deputy chief executive. Mr Crafter will retain his responsibilities for group finance. Lord Wigoder has been re-elected as non-executive chairman.

Mr R. M. Graham, chief executive of BUPA

★

DILLON READ (formerly Dillon Read Overseas Corporation) has appointed Mr Roy Dantzic and Mr Dimitri de Gunzburg has managing directors. Other senior appointments are Mr Richard Allen and Mr Renaud Rivain, senior vice-presidents, Mr James Foster, vice-president, secretary and treasurer, and Mr Michael Allen, vice-persident. Mr Kurt Kalm and Miss Catherine Needham have been appointed assistant vice-presidents. The chief executive officer and chairman of Dillon Read is Mr Pierre Moussa. Mr Lorenzo D. Weisman is president and chief operating officer.

★

Professor Sir Thomas Richard Edmund Southwood has been re-appointed chairman of the ROYAL COMMISSION ON ENVIRONMENTAL POLLUTION. Professor Southwood is Linacre Professor of Zoology at Oxford University. He has been a member of the Royal Commission on Environmental Pollution since 1975 and chairman since 1981. Under his chairmanship the commission recently produced two widely acclaimed reports—"Lead in the Environment" and a general review "Tackling pollution—experience and prospects." The commission is currently engaged on a study of pollution from wastes and Professor Southwood has agreed to stay on as chairman to see the present study to a conclusion.

★

Mr Bryan Norman has been elected to the board of N. M. ROTHSCHILD & SONS.

★

C. S. INVESTMENT MANAGEMENT has appointed Mr Brian Hopkinson as a director, with special responsibility for Japan and the Far East.

★

ALFRED BOOTH AND CO. has appointed to its board Mr A. W. Graham and Mr R. A. Shallcross. Unit Construction, a subsidiary, has appointed Mr R. C. Houston a divisional director of its Northern Ireland division and Mr D. J. Webb a divisional director of its Southern division.

★

Mr J. C. R. Bowman has been appointed chairman and Mr A. P. D. Bridges and Mrs P. A. Perkins joint chief executives of REED STENHOUSE ENERGY.

★

TI GROUP has appointed Mr Michael R. Williams to the board as technical director. He will join TI on September 1. He is at present director of advanced engineering with Rolls Royce.

★

Mr David Hardman has been appointed managing director of GODFREY DAVIS EUROPCAR. He was deputy managing director.

★

Mr Ken Paige, managing director of Otis Elevator has relinquished his executive responsibilities on reaching retirement age. He will continue on the board in a non-executive capacity. Four executive directors will now take responsibility for different facets of the company's operations. They are Mr Tony Allen, Mr Alan Mainwaring, Mr Roy Markham and Mr John Miller. Mr Philip Hunter and Mr Colin Coast will continue in their positions of directors of finance and personnel, respectively.

★

BANK ITEC has appointed Mr A. P. M. Brans chairman of its management board.

★

Mr Jery Crowley, Mr Peter Gibbings, Mr Michael Hope-Lewis, and Mr Denix Moxon have joined the partnership of LAURENCE, PRUST AND CO., stockbrokers.

★

Mr Vincent Slevin becomes a director of MORE O'FERRALL from August 1. He joined in September 1982 from The Irish Mist Liqueur Company where he was marketing director. Mr Slevin is responsible for the international and airports divisions of More O'Ferrall.

★

Mr Peter Rennie, who retires from GRANADA TELEVISION as sales director at the end of February 1985, will be succeeded by Mr Nick Phillips, currently marketing services director at Beecham Products. Mr Phillips was previously with Granada as research controller between 1967 and 1973. He will return on October 1 and will take over responsibility for the sales department on January 1 1985.

★

ERNST AND WHINNEY has admitted to partnership the following— at Birmingham Mr John Liddell; at Hull Mr Kit Chapman and Mr Mike Fairclough; at London Mr Eric Anstee, Mr James Dixon, Mr Richard Murray, and Mr Charles Watt; at management consultants Mr Mark Von Bergen, Mr Michael Gardiner, Mr Paul Mason and Mr Andrew Pawlowicz.

★

CLYDE PETROLEUM has appointed Air Vice-Marshal John Price as administrative manager. He has recently retired from the Royal Air Force in which his last appointment was Assistant Chief of Air Staff (operations).

★

H. P. BULMER HOLDINGS has appointed Mr Alistair Mitchell-Innes and Mr G. Terry Pryce as non-executive directors. Mr Mitchell-Innes is an executive director of Brooke Bond Group. Mr Pryce is chief executive of Dalgety.

★

Mr Kevin Bell has been appointed chairman of BELL AND VANNER ASSOCIATES.

LCCI name chairman

THE LONDON CHAMBER OF COMMERCE AND INDUSTRY has appointed as its new chairman Mr John Leonard, chairman and chief executive of Carless Capel and Leonard. The new deputy chairman of the LCCI will be Sir James Duncan, chairman and chief executive of Transport Development Group.

★

Mr Alasdair B. Thomson has been appointed deputy managing director of MARPLES INTERNATIONAL. Mr Thomson joined the Marples Group in 1976.

★

Mr Mike Marshall, technical director, has been appointed general manager of ARROW CONSTRUCTION EQUIPMENT. His title will be director and general manager. Mr Paul Young is appointed commercial director. He was previously chief accountant for Arrow and will retain responsibility for all accounting functions in his new role.

★

Mr Alan Ollier, who joined the Yorkshire Switchgear Group a year ago, has been appointed managing director of ELECTRO-MECHANICAL MANUFACTURING COMPANY, a member of the group. He has also become a member of the YS board. Mr Peter L. Graves has become commercial director. Mr Tom Mennell has been appointed engineering director. Mr Alistair Gray becomes Emmco's works director.

★

The BRITANNIA GROUP OF INVESTMENT COMPANIES has appointed Mr P. M. Costello finance director of Britannia International Investment Management of Jersey.

★

Mr Peter Sheen, a senior executive at Shell UK Oil's head office and a member of the motor cycle industry's executive board, will take over the position of director-general of the MOTOR CYCLE ASSOCIATION on August 1. He leaves Shell as divisional manager responsible for the training of Shell staff and all Shell retailers in the UK.

★

Mr A. B. (Sandy) Marshall has succeeded Sir Alastair Down as chairman of the BRITISH-NORTH AMERICAN RESEARCH ASSOCIATION and as co-chairman of the BRITISH-NORTH AMERICAN COMMITTEE. Mr John Hale and Professor Harold Rose have been appointed to the Council of the Association. Mr Marshall is chairman of Commercial Union Assurance Co., and Bestobell.

★

Mr Mark Birtwistle has joined BEDE SECURITIES from Peat Marwick Mitchell as group financial controller. Mr Anthony Hodges has joined Bede Futures Management as a director from Rudolf Wolff and Co. Mr Hodges will head the research team of mathematical and statistical analysts.

★

C. T. BOWRING AND CO has appointed Mr A. C. Mitchell managing director of Bowring Members Agency.

LADBROKE INDEX
Based on FT Index
791-795 (−13)
Tel: 01-493 5261

BIDS AND DEALS

MINING NEWS

Shuck's policy statement fails to stop share slide

BY RAY MAUGHAN

Espley Trust, the property and construction group built up by Mr Ronald Shuck since February 1981, yesterday attempted to stem a sudden and sharp fall in its share price with a statement covering its disposal and dividend policies.

The statement was produced at the behest of the Stock Exchange following a 25 per cent fall in Espley's share price from Monday's closing level of 44p to 33p by the time of the announcement at mid-afternoon yesterday. This was subsequently followed by a 5p drop to 28p.

The share had previously hit a peak of 97p this year, giving the Birmingham-based group market value of £28.22m. That compares with last night's closing capitalisation of £8.15m which, in turn, contrasts with the approximate £15m book value of the investment properties Espley now says that it is attempting to sell.

Espley said that the "recent fall is of concern to the company" and promised that its accounts for 1983, which had been expected by the City on or about June 24, are being printed and will be sent to shareholders shortly—probably within the next seven days.

Mr Shuck emphasised that the group is at an advanced stage of negotiations for the disposal of a substantial part of its UK property interests. As a result of the existing debentures already held by the development subsidiaries' principal bankers, Espley "is continuing negotiations concerning the structure of finance required during this period of divestment.

Mr Shuck added that the divestment should be accomplished before the end of the year, and he explained that either group or subsidiary security would be affected depending on whether the development properties were sold piecemeal or as a package in the form of a single subsidiary.

But one of the prominent causes of the share price slide from this year's peak was the decision to forego payment of the previously indicated net final dividend of 1.375p per share.

Espley reported on an extended 15 month accounting basis, expiring on December 31 last year, and had already paid two interim dividends totalling 4.85p net per share. It said at the end of last November, and again in January, that it intended to pay a final dividend in respect of the last three months.

Those written indications, taken by some brokers as a firm forecast, preceded a vendor placing in connection with Scottish properties acquired from Foxbrdige. The placing was handled by Charles Stanley & Co, broker to the group, and was supported by several income funds on the basis that the total dividend yield would have been about 9 per cent at the placing price of 81p.

But Mr Shuck, defending the decision not to pay the final dividend, said that "the second interim dividend of 3.2p per share was higher than it should have been."

He added that the changes in Advance Corporation Tax covering earnings in North America and Europe would, after the Budget, cost the group about £250,000 annually which would have equalled the final dividend cost.

The imminent accounts, he promised would include a detailed statement on future dividend policy "to reassure shareholders."

As Espley continues to reshape its structure consistent with "an industrial holding company," as Mr Shuck said yesterday, the share price fall in the London market has meant that the group no longer plans to offer any shares in American Property Group, now at an advanced stage of pre-flotation, to UK investors. The issue will be confined to American subscribers.

Proposals to place 20 per cent of the wholly-owned CODIC offshoot are going ahead using the Unlisted Securities Market the Belgian authorities are now setting up, although there are fall-back plans to place a fifth of CODIC's equity privately "to reveal value."

Mr Shuck also said that he would be responding to City criticism of his involvement in two quoted companies and it is understood that Associated Telecommunications, formerly Associated Tooling Industries, will be sold to a single buyer within the next few weeks.

Ok Teddy reopens

BY GEORGE MILLING-STANLEY

WORK HAS been resumed and is now in full swing at the OK Tedi gold mine in Papua New Guinea, following the satisfactory conclusion of an inspection by government officials.

The officials were called in last week to investigate an accidental leak of sodium cyanide, used in the processing of gold-bearing ore, into the nearby OK Ma River. A previous escape of the material occurred three weeks ago when a ship carrying canisters of sodium cyanide capsized.

Metallgesellschaft of West Germany, which owns 7.5 per cent of the OK Tedi consortium, said last week that gold production should start in August if the mine were reopened as planned this week.

Australia's Broken Hill Proprietary and Amoco Minerals, part of the Standard Oil of Indiana group, each own 30 per cent of the venture. A further 20 per cent is in the hands of the Papua New Guinea Government, with 7.5 per cent each held by Metallgesellschaft and Degussa, another West German company.

The remaining 5 per cent is held by the state-owned West German Development Company.

The mine has suffered delays from a variety of causes, including a drought, landslide, and problems with the grinding circuit, but now seems on course to become a major gold producer in the next few months.

Cons Modder returns to the dividend list

A RETURN to the dividend list with a payment of 15 cents (7.7p) is made by the South African gold-producing Consolidated Modderfontein Mines which was reopened in 1980 under the present management, Golden Dumps. Consolidated Modder last paid a dividend in 1971.

The mine has further increased net profits in the June quarter to R6.59m (£3.38m) from R4.86m in the previous three months. This brings the total earnings for the year to June 30 to R14.7m.

During the latest quarter gold output rose in line with further improvements in gold grade (6.31 grammes per tonne) and ore milled. Unit costs fell to the equivalent of R6,674 per kilogramme of gold, or $164 per ounce, while the price received averaged R15,837 per kg, or $389 per oz.

The group's South Roodepoort did less well in the June quarter, partly because of a lower ore grade (4.31g) and the absence on this occasion of dividends received in the previous three months. Sundry income was lower and the net profit comes out at R1.35m following R1.76m in the March quarter.

Total earnings for the year to June 30 amount to R3.53m which after allowing for capital expenditure leaves an available profit of R1m. South Roodepoort is declaring two preference dividends to clear the preference dividend arrears.

Sunlight Service pays over £4.6m for Lyndale

Sunlight Service Group has agreed to purchase Lyndale Textile Rental for £4.6m.

This will be payable on completion plus a deferred payment of £500,000 cash on May 1 1986, dependent on Lyndale achieving operating profits of £850,000 for the year ended December 31 1985.

Lyndale and its subsidiaries had net tangible assets, as at March 31 1984, of £2.63m and turnover and pre-tax profits of £5.36m and £579,000 respectively, for the year ended on that date.

Mr Franks, chairman of Sunlight said that both the location of Lyndale's seven plans and the mix of its textile rental turnover will place Sunlight in the position of being able to offer workwear and towel rental services on a national basis.

"Lyndale will, from the outset, make a valuable contribution to Sunlight profitability . . . and the board believes that this contribution can be significantly improved in the future."

The initial consideration is to be partly financed by the issue of 1.93m 10p shares of Sunlight. Hoare Govett has placed 1.44m shares with institutional and other investors, while the balance is to be retained by the principal shareholder Mr R. Frankenburg, members of his family and other shareholders who have agreed to certain restrictions placed on their disposal for up to two years.

In addition to the ordinary share issue, the initial consideration is to be financed by the issue of £600,000 guaranteed redeemable loan notes 1985-89.

Rumours raise Phoenix price

RUMOURS that a major block of Phoenix Assurance shares had been bought by an overseas financial institution sent the share price up to 472p, and it eventually ended the day 7p up at465p

The boost, on a day when the market was weak, renewed speculation that Allianz Versicherung was again in the market. West Germany's largest insurance group has repeated its intention of establishing a major presence in the UK insurance market, despite failing to acquire Eagle Star last year in a bitterly-contested t akeover battle.

Warner Holidays

Lower losses were incurred by Warner Holidays, a wholly-owned subsidiary of Grand Metropolitan, over the six months to March 31 1984.

Losses before tax were £1.45m, against £1.96m for the comparable period, from gross revenue which rose from £757,000 to £1.18m. The trading loss was £1.31m against £1.53m, out of which interest payments on debentures and bank loans took £145,000 (£437,000). Tax credits totalled £689,000 (£1.02m).

Batleys catches up

Batleys of Yorkshire, the cash and carry wholesaler, has made good the profit shortfall experienced at halftime, and produced an increase from £1.49m to £1.69m for the year ended April 28, 1984. Turnover was up over £32m at £160.6m.

After tax £495,000 (£355,000) the net profit comes to £1.2m (£1.13m) for earnings of 14.09p (13.32p) basic and 9.98p (9.43p) fully diluted. The final dividend is 2p for a net total of 2.5p (2.4p).

Hawley shake-up leads to 'unintended' Cope bid

BY ALEXANDER NICOLL

THE reorganisation of the Hawley Group's investment interests yesterday forced it to make a bid for Cope Allman. However, the bid by Midepsa, the Hawley Canadian subsidiary, is not intended to succeed and is not recommended by Cope Allman directors.

Mr Michael Ashcroft's Hawley and Mr David Wickins' British Car Auctions groups plan to concentrate a variety of equity holdings, mainly in UK Unlisted Securities Market stocks, into Midepsa. Midepsa has already bid for outstanding shares of Coleman Milne, the limousine group.

But one snag to the plan still remains. The Quebec Securities Commission has not yet approved the conditions for listing of new Midepsa shares to be issued to Hawley and BCA in return for their shares.

Mr Tony Edwards, a Hawley executive, said he would fly to Canada today for talks with the Commission, principally concerning the length of time for which Hawley and BCA should be required to hold the newly-issued Midepsa shares.

The hold-up does not apply to Cope Allman. Midepsa has purchased 13.4 per cent of the packaging, leisure and engineering group from BCA and Attwoods for cash, not shares.

Hawley already owns 30 per cent of Cope and is thus required to offer other shareholders 88½p per share, the price paid by Midepsa.

Cope shares closed yesterday at 93p, down 1p. Cope bolstered its advice not to accept the offer by predicting that profits before tax and extraordinary items in the six months to the end of June will be substantially ahead of the £3.16m in the same period of last year.

Midespa and Hawley plan eventually to reduce their combined holding in Cope to 40 per cent. Mr Ashcroft is chairman of Cope of as well as of Hawley.

Syphon's bid fails

A noisy and bitter takeover battle ended quietly yesterday when British Syphon Industries' bid for James Halstead, the floor covering, protective clothing and travel group, lapsed with acceptances received representing only 24.45 per cent of Halstead.

Mr Bryan Morrall, chairman of the drinks dispenser group, was previously chief executive of Halstead. He admitted disappointment yesterday that the shares-plus-cash offer had failed, but said BSI was still interested in acquisitions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bett Bros. ....int	1.2	—	1	—	2.65
Birmingham Mint	7.5	Sept 7	7.5	10.5	10.5
Diamond Stylus	0.5	Oct 1	0.46	0.5	0.46
Fleming Overseas sev int	4	Aug 20	4	7	7
General Funds Inv...int	2.75	Sept 17	2.75	—	9
Howden Group	2	—	1.69*	2.8	2.42*
F. H. Lloyd	1.25	Aug 28	1	1.25	1
London & Midland	4.5	—	4.85	8	7.75
Marling Industries	0.78	Oct 2	0.61	1.3	1.08
Murray Technology	0.6	—	0.75	0.6	0.75
Stroud Riley	1.5	Sept 10	1.5	2.25	2.25
Time Products	1	—	nil	1	nil
United Leasing	2	Sept 28	—	2.8	—
R. Kelvin Watson	2.95	—	2.7	4.25	4
Wintrust	2.87	Oct 1	2.6	4.3	3.91

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BIDS AND DEALS

S. R. Gent, the highly recognised manufacturer of ladies and childrens' clothing for Marks and Spencer, has made its first move away from its traditional base in the garment industry. The company announced yesterday the acquisition of Sublime Lighting, a small company with 36 employees, for £175,000, comprising £20,000 in cash and the balance in Gent ordinary shares.

The acquisition reflects Gent's objectives to expand into non-textile areas, although it plans to continue serving Marks and Spencer, which currently receives 90 per cent of Gent's garments.

"We intend to extend the product line while still serving existing customers, and that means Marks and Spencer," said Bernard Adler, finance director at Gent.

Grovebell Group has reached an agrement in principle to purchase Western Medical specialised medical equipment maker, for £800,000 to be satisfied by the issue of 4.85m shares.

Net book value of Western assets amounted to £262,000 as at September 30 1983 and pre-tax profits for the year ended that date were £92,000.

* * *

Marquis Hotels Limited Partnership has acquired the London Marriott at Grosvenor Square and Marriott's Prince de Galles in Paris for £17m, with plans to invest an additional £17m on improving the properties.

Marriott Investors in Industry (3i), County Bank and Arbuthnot Latham comprise the partnership, with 3i and County Bank providing mortgage funds.

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FINANCIAL TIMES

Wednesday July 11 1984

Surprise reaction to cut in zinc price, Page 36

WALL STREET

Underlying tone is unsettled

THE STOCK MARKET remained depressed for most of the session, with traders noting the traces of at least one selling programme by a major trader. Prices ended a shade above their worst levels, however, *writes Terry Byland in New York.*

The Dow Jones industrial average closed a net 7.17 points down at 1126.88, on turnover of 74.8m shares – still low by recent standards.

Short-term rates edged higher at first, but some rates slackened after the Fed announced two-day system repurchase arrangements when the federal funds rate touched 11⅜ per cent.

In the bond market, there was no follow through to the strong gains chalked up at Monday's close, which owed a good deal to activity among market traders as the new 20-year bond was bought and stripped of its coupon. Turnover in bonds was modest during the first half of yesterday's session.

Lacking a firm lead from the bond market, leading stocks shaded lower in sluggish trading, although an increase in block trades indicated that the major institutions were picking up lines of stock at or below market levels.

Over the broader range of the markets, both the Nasdaq and the American Stock Exchange indices tried to edge higher.

In both sectors of the market, investors continued to respond to the hope that inflation rates will remain low. The bond market has attracted some foreign interest since the move to repeal the 30 per cent withholding tax.

The stock market's blue chip issues were mostly a few cents lower. IBM shed $⅛ of Monday's late gain to trade at $107, while General Motors at $67⅜ gave up $⅛, General Electric at $51⅞ lost $⅜, and AT&T at $17⅞ was $⅛ off.

The Dow average was borne down by a fall of $2¾ to $88⅞ in Merck, the drug group. Merck stock was sold heavily after Mr Joseph Riccardo, analyst at Bear Stearns, pointed out that Ciba-Geigy has been granted approval from the Federal Drugs Authority for its Methyldopa, a blood pressure drug which will compete with Merck's Aldomet when its patent expires shortly.

There was some selling of oil stocks as some product prices softened on the eve of the Opec meeting. Exxon at $40⅝ shed $⅝ and was prominent on the active list.

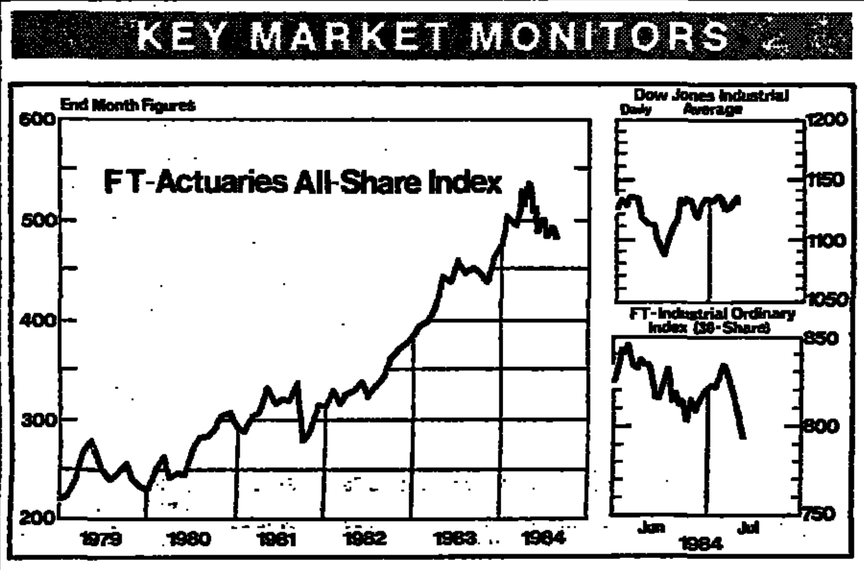
The quarterly reporting season opened slowly. The bright spot was CBS which jumped $1⅛ to a new high of $82½ on higher profits, while American Broadcasting added $1⅞ to $66⅞ on hopes that its profits will also reflect improved advertising sales.

International Paper traded quietly around the overnight price of $48 after disclosing a sharp rise in second quarter earnings. The strongest feature on this sector, however, was St Regis which gained $1⅛ to $41½ as the market pondered the board's insistence that Mr Rupert Murdoch was preparing a bid – and despite his rejection of such suggestions.

General Motors eased $⅛ to $67⅜, but other motor issues turned firmer ahead of the annual round of wage negotiations. Ford put on $⅛ to $38 and Chrysler $⅛ to $26⅝.

Money market rates eased at midday despite the continued firmness in the federal funds rate. Treasury securities weakened, however, the discount on three-month bills rising 3 basis points to 10.06 per cent. The coupon issues fell by nearly half a point towards the longer end, with the key 13.25 per cent bond of 2014 dipping to 99²⁴⁄₃₂, a net loss of ¹⁶⁄₃₂.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 10	Previous	Year ago
NEW YORK			
DJ Industrials	1,126.88	1,134.05	1,207.23
DJ Transport	471.71	473.66	575.28
DJ Utilities	125.87	125.82	129.29
S&P Composite	152.89	153.36	167.08
LONDON			
FT Ind Ord	793.0	811.6	682.1
FT-SE 100	1,014.4	1,033.5	935.9
FT-A All-share	478.83	485.07	435.50
FT-A 500	517.99	525.87	471.31
FT Gold mines	560.1	532.3	674.5
FT-A Long gilt	11.39	11.22	10.93
TOKYO			
Nikkei-Dow	10,386.61	10,373.22	9,012.41
Tokyo SE	788.76	788.40	663.03
AUSTRALIA			
All Ord.	666.5	660.4	614.0
Metals & Mins.	417.0	412.9	542.4
AUSTRIA			
Credit Aktien	53.67	53.83	55.72
BELGIUM			
Belgian SE	142.33	142.56	129.23
CANADA	July 10	Prev.	Yr ago
Toronto			
Metals & Minls	1,831.9*	1,814.1	—
Composite	2,212.7	2,208.6	2,471.3
Montreal			
Portfolio	N/A	107.74	123.86
DENMARK			
Copenhagen SE	165.21	164.56	158.78
FRANCE			
CAC Gen	169.4	169.4	126.2
Ind. Tendance	109.8	108.9	78.4
WEST GERMANY			
FAZ-Aktien	335.63	334.44	330.54
Commerzbank	968.6	964.4	982.4
HONG KONG			
Hang Seng	805.31	773.60	1,036.42
ITALY			
Banca Comm.	208.08	209.15	192.24
NETHERLANDS			
ANP-CBS Gen	157.1	157.0	138.2
ANP-CBS Ind	126.7	127.0	111.1
NORWAY			
Oslo SE	244.83	243.29	191.2
SINGAPORE			
Straits Times	891.76	893.49	977.47
SOUTH AFRICA			
Golds	n/a	886.7	909.5
Industrials	n/a	994.8	917.5
SPAIN			
Madrid SE	128.40	127.57	118.69
SWEDEN			
J & P	1,478.26	1,479.45	1,354.29
SWITZERLAND			
Swiss Bank Ind	363.5	363.5	336.7
WORLD	July 9	Prev	Year ago
Capital Int'l	172.1	172.6	179.4

GOLD (per ounce)

	July 10	Prev
London	$345.00	$340.00
Frankfurt	$344.25	$339.00
Zürich	$345.25	$341.00
Paris (fixing)	$348.38	$338.82
Luxembourg (fixing)	$344.75	$343.00
New York (July)	$343.50	$347.80

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR July 10	U.S. DOLLAR Previous	STERLING July 10	STERLING Previous
$	–	–	1.3095	1.3065
DM	2.8235	2.8395	3.6935	3.705
Yen	241.55	242.6	316.3	316.25
FFr	8.67	8.7175	11.3525	11.3675
SwFr	2.3855	2.392	3.124	3.12
Guilder	3.1865	3.2055	4.1725	4.18
Lira	1733.5	1739.0	2277.0	2266.0
BFr	57.435	57.675	75.4	75.3
C$	1.32775	1.32725	1.7375	1.7335

INTEREST RATES

Euro-currencies (3-month offered rate)	July 10	Prev
£	11 7/16	11 9/16
SwFr	4¾	4 11/16
DM	5 13/16	5⅞
FFr	—	11⅞
FT London interbank fixing (offered rate)		
3-month U.S.$	12 9/16	12⅝
6-month U.S.$	12 13/16	12 15/16
U.S. Fed Funds	11⅜	11⅜
U.S. 3-month CDs	11.70	11.80
U.S. 3-month T-bills	10.07	10.00

U.S BONDS

Treasury		July 10* Price	July 10* Yield	Prev Price	Prev Yield
13	1986	100 9/32	12.94	100 9/32	12.95
13¾	1991	101 5/32	13.49	101	13.51
13⅛	1994	98 1/32	13.48	97 27/32	13.53
13¼	2014	99 24/32	13.26	99	13.33

Corporate	July 10* Price	July 10* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	86½	13.80	86½	13.80
3⅞ July 1990	71	10.55	71	10.55
8¾ May 2000	67½	13.85	67½	13.85
Xerox				
10⅞ March 1993	83⅜	14.00	83⅜	14.00
Diamond Shamrock				
10¾ May 1993	82½	14.15	82½	14.15
Federated Dept Stores				
10⅞ May 2013	76¼	14.05	76¼	14.05
Abbot Lab				
11.80 Feb 2013	84⅜	14.05	84⅜	14.05
Alcoa				
12½ Dec 2012	84⅞	14.50	84⅞	14.50

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				July 10
8% 32nds of 100%				
Sept	61–31	62–20	61–26	62–04
U.S. Treasury Bills (IMM)				
$1m points of 100%				
Sept	89.23	89.34	89.21	89.32
Certificates of Deposit (IMM)				
$1m points of 100%				
Sept	87.55	87.65	87.52	87.59
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	87.46	87.53	87.42	87.36
20-year Notional Gilt				
£50,000 32nds of 100%				
Sept	98–14	99–24	98–07	99–03

COMMODITIES

(London)	July 10	Prev
Silver (spot fixing)	575.15p	553.20p
Copper (cash)	£994.00	£978.50
Coffee (July)	£2214.00	£2229.00
Oil (spot Arabian light)	$27.75	$27.82

LONDON

Money data make for more agony

THE AFTERNOON announcement of money supply figures at the worst end of market expectations gave a further jolt to sentiment in London yesterday. Government stocks plummeted after trading on a relatively steady note earlier, while a reasonably orderly decline in equities gathered pace considerably.

The money supply figures, which came on a market already sensitive about the current plight of sterling, gave rise to speculation that a further sharp rise in UK base lending rates was inevitable. Fears about the repercussions from the dock strike and disappointment over the failure of the National Union of Mineworkers and the National Coal Board to reach agreement added to the general depression.

Equity markets remained friendless throughout the session. The FT Industrial Ordinary index extended a loss of 8.2 at 2pm to 18.6 at the close of 793.0.

Yesterday's fall took the index back to below the 800 mark for the first time since February 7 and compares with the all-time peak level of 922.8 attained on May 3.

Stores, buildings, breweries and engineers were among the worst hit sectors. Bass fell 14p to 363p, BTR 15p to 428p and GKN 8p to 158p.

Chief price changes. Page 30: Details. Page 31: Share information service. Pages 32–33.

HONG KONG

DOMESTIC institutions were back in the market in Hong Kong but their operations were of a technical nature, short-covering ahead of the Sino-British talks today and following an 11-day slide produced 31.71 rise in the Hang Seng index at 805.31. Buying enthusiasm was absent.

Hongkong Land revived 20 cents to HK$2.30 after Monday's 30-cent slide. Hongkong and Shanghai Bank added the same amount to HK$5.65 and Jardine Matheson managed a 15-cent firmer result at HK$6.50. Few came anywhere near redressing Monday's setbacks, let alone those accumulated over the month.

AUSTRALIA

THE DOMINANCE of the conservative wing of the ruling Labour Party at its annual congress cheered Sydney, and good gains were widespread.

Banks maintained a cautious reaction to the impending arrival of foreign competitors, with National slipping 2 cents to A$3.28, but uranium-related issues led the mining side higher on expectations, later confirmed, that exploitation of the mineral could go ahead.

Of those, Peko-Wallsend jumped 28 cents to A$4.30 and Energy Resources 11 cents to A$1.58.

SINGAPORE

SOME stop-loss selling and a lack of buying demand left Singapore marginally lower again with the Straits Times industrial index down 1.73 to 891.76.

Pahang Consolidated led the actives list, adding one cent to S$1.61. Among other actives Sime Derby eased 4 cents to S$2 but Supreme Plantations went against the trend of a generally easier sector, adding 3 cents to S$1.21.

SOUTH AFRICA

BRISK Johannesburg business took gold issues sharply upward in response to bullion's improvement. Overseas buying, notably from the U.S., was detected.

Buffels added R2 to R70, while of the mining houses Anglo-American put on 50 cents to R22.50, but Gold Fields of SA held at R25.25 after Monday's 75-cent results-inspired rise. Mixed industrials showed *Barlow Rand 50 cents better at* R12.50.

CANADA

GOLDS in Toronto were slow to respond to the improved bullion values, and the energy sector again showed weakness, but good gains were established among property and base metal issues.

Montreal showed firmness in banks and industrials but restraint on the utility side.

TOKYO

Sidelines remain the safest

DESPITE Wall Street's overnight boost, investors still held to the sidelines in Tokyo yesterday in the absence of any fresh domestic incentives, but share prices staged a moderate rally, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average gained 13.39 to 10,386.61, and volume increased slightly from 189.90m shares to 249.86m. Declines outnumbered advances by a narrow 343 to 325, with 194 issues unchanged.

Some incentive-backed issues were selected in featureless trading, while blue chips were mixed.

Among incentive-backed speculatives, Asahi Chemical regained momentum, rising Y18 to Y630. The issue was the most active stock, with 13.54m shares changing hands. Kuraray and Onoda Cement rallied slightly, scoring respective rises of Y9 to Y759 and Y8 to Y343. Their trading volume remained low, in the order of 3m shares.

Fujisawa Pharmaceutical jumped Y50 to this year's high of Y1,020, eclipsing the previous peak of Y989 set on June 12. Mochida Pharmaceutical surged Y140 to Y8,640, and Kureha Chemical leaped Y65 to Y1,030, bolstered by its plan to expand the pharmaceutical side.

Nippon Denko was the second most active stock, with 9.03m shares traded. The issue advanced Y12 to an all-time high of Y545, erasing the previous record high of Y542 registered on Friday last week.

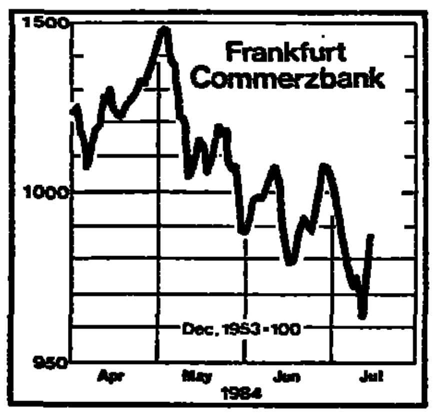
Daihatsu Motor, reporting good business results, drew popularity, adding Y18 to Y388. Morinaga, the third most active, gained Y15 to Y394, supported by its research into a biotechnology-related drug.

Blue chips were still out of favour. Foreign investors placed sell orders for 18m shares yesterday through four leading securities companies against buy orders for 8.5m shares, and thus remained net sellers – a telling influence on the dull performance of blue chips.

Fuji Photo Film managed a Y40 rise to Y1,570 and Matsushita Electric Industrial Y10 to Y1,660. Conversely, NEC declined Y20 to Y1,160, Sony Y20 to Y3,540 and TDK Y40 to Y4,800.

Bond prices held steady in reaction to a sharp rise in U.S. long-term government bond prices. Trading remained inactive, however, as investors, notably among the institutions, were still uncertain about the future course of the yen and the bond market.

The price of the benchmark 7.5 per cent long-term government bond, maturing in January 1993, rose over par for the first time for about a week. The yield fell from 7.525 per cent to 7.490 per cent.



EUROPE

Frankfurt shifts out of reverse

THE EARLY modest improvement in the D-Mark rate against the dollar enabled a halt to be called yesterday to the slide in West German share values, which had drifted to a nine-month low on Monday.

But elsewhere, investors found little inspiration and most European centres turned in mixed performances on the day.

The **Frankfurt** improvement was reflected in a 4.2 advance to 968.6 in the mid session calculation of the Commerzbank index. However, turnover remained low, and some issues ended off their highs as a resurgence of the U.S. currency again dampened demand.

One of the day's sharpest gains was recorded by the precious metals concern, Degussa, which added DM 16 to DM 365 following its DM 26.50 fall on Monday.

In electricals, Siemens gained DM 2.50 to DM 384.50 as it announced plans for a DM 1bn project to bring microelectronic components with megabit memories to the market by the end of the decade.

The motor sector had a better day but generally finished off its best. Volkswagen added DM 2.10 to DM 181.10, after DM 182; BMW rose DM 3 to DM 370, after DM 372.50; and Daimler was DM 4.50 higher at DM 538.50 after DM 541.

Bonds scored modest gains of up to 20 basis points, while the Bundesbank sold DM 53.2m of paper to help meet demand after the previous day's DM 16.3m of sales.

Very quiet trading conditions prevailed in **Amsterdam**, although Unilever remained in demand, adding 30 cents on the day to Fl 257.50 after a high of Fl 258.

Ahold put on Fl 1.30 to Fl 183.30 amid market reports that a small Dutch brokerage firm had raised its earnings estimate for the food retailer.

Photocopier maker Oce-Van der Grinten lost Fl 2.50 to Fl 235.50 as it announced higher first-half profits.

Bonds were flat to moderately higher in lacklustre trading.

Few issues made notable gains in **Brussels** although wire maker Bekaert added BFr 50 to BFr 4,000 – its second consecutive rise after being unchanged for seven sessions.

Chemical stocks were mixed, with Solvay continuing its decline – down BFr 40 to BFr 3,570 – while UCB added BFr 50 to BFr 4,460.

Shares continued to lack direction in **Zurich**, while bonds finished steady with an easier bias.

Paris tended slightly higher in quiet conditions. Oils were again mixed in response to the Government's decision to raise tax on petroleum products. Elf Aquitaine fell FFr 1.50 to FFr 225.50, while Esso rose FFr 4 to FFr 735.

Milan was marginally easier as the market faced technical adjustments ahead of end month settlements, while **Madrid** continued its recent upward trend, with the food sector showing the strongest performance of the day.

Stockholm was generally featureless although Pharmacia, which announced a one-for-two stock dividend, dipped Skr 2 to SKr 288.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

B—B—B

C—C—C

D—D—D

E—E—E

F—F—F

G—G—G

H—H—H

I—I—I

J—J—J

K—K—K

L—L—L

M—M—M

N—N—N

O—O—O

P—Q

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

July 10	Price Sch%	+ or −
Creditanstalt	208	..
Goesser	330	+5
Interunfall	398	...
Laenderbank	205	+1
Perlmooser	340	−2
Steyr-Dimler a.	143	..
Veitscher Mag	212	−4

BELGIUM/LUXEMBOURG

July 10	Price Frs.	+ or −
ARBED	1,494	+10
Banq Int A Lux	5,050	...
Bekaert B	4,000	+50
Ciment CBR	2,350	+10
Cockerill	232	..
Delhaize	4,840	−10
EBES	2,450	+15
Electrobel	6,730	−10
Fabrique Nat	1,820	+10
GB Inno BM	3,095	−40
GBL (Brux)	2,230	+5
Gevaert	3,120	+5
Hoboken	6,240	+150
Intercom	1,880	+10
Kredietbank	6,850	−30
Pan Hldgs	9,520	...
Petrofina	6,630	+20
Royale Belge	9,200	+130
Soc. Gen. Banq	3,020	−20
Soc. Gen. Belge	1,675	−10
Sofina	6,090	+60
Solvay	3,570	−40
Tractionel	3,405	−20
UCB	4,460	+50
Vieille Mont	3,800	.

DENMARK

July 10	Price Knr %	+ or −
Aarhus Olie	445	...
Andelsbanken	225xd	...
Baltic Skand	650	...
CopHandelsbank	232	+2
D. Sukkerfab	660	...
Danske Bank	238	+1
East Asiatic	189	−1
Forenede Brygg	900	...
Forenede Damp	117xr	...
GNT Hldg	475	...
I.S.S.B.	825	...
Jyske Bank	464	...
Novo Ind	2,280	...
Privatbanken	210	+1
Provinsbanken	297	+1
Smidth (F.)	227	...
Sophus Berend	980	...
Superfos	456	−2

FRANCE

July 10	Price Frs.	+ or −
Emprunt 4½% 1973	1715	[illegible]
Emprunt 7% 1973	9,305	[illegible]
CNE 3%	3,599	[illegible]
Air Liquide	525	[illegible]
BIC	410	[illegible]
Bouygues	608	[illegible]
BSN Gervais	2,645	[illegible]
CIT-Alcatel	1,115	[illegible]
Carrefour	1,405	[illegible]
Club Mediter'n	915	[illegible]
CFAO	618	[illegible]
Cie Bancaire	517	[illegible]
Cofimeg	224	[illegible]
Darty	945	[illegible]
Dumez S.A.	710	[illegible]
Eaux (Cie Gen)	535	[illegible]
Elf-Aquitaine	225.5	[illegible]
Gen. Occidentale	650	[illegible]
Imetal	85.5	[illegible]
Lafarge Coppee	341	[illegible]
L'Oreal	2,414	[illegible]
Legrand	1,856	[illegible]
Maisons Phenix	209.5	[illegible]
Matra S.A.	1,455	[illegible]
Michelin B	775	[illegible]
Midi (Cie)	1,650	[illegible]
Moet Hennessy	1,645	[illegible]
Moulinex	105.1	[illegible]
Nord Est	47.3	[illegible]
Pernod Ricard	775	[illegible]
Perrier	528	[illegible]
Petroles Fra	250.5	[illegible]
Peugeot S.A.	192	[illegible]
Poclain	43	[illegible]
Printemps Au	143.2	[illegible]
Radiotech	275	[illegible]
Redoute	1,111	[illegible]
Roussel-Uclaf	1,285	[illegible]
Sefimeg	255	[illegible]
Skis Rossignol	1,347	[illegible]
Telemech Elect	1,665	[illegible]
Thomson (CSF)	297	[illegible]
Valeo	250.5	[illegible]

GERMANY

July 10	Price Dm.	+ or −
AEG Telef	92.5	+1.2
Allianz Vers	767	+13
BASF	153.5	+1.5
Bayer	157.5	−0.5
Bayer-Hypo	264	−2
Bayer-Verein	308	+1
BHF-Bank	239	+2
BMW	370	+3
Brown Boveri	214.5	−0.5
Commerzbank	152.1	+1.1
Cont'l. Gummi	115.5	+1.4
Daimler-Benz	538.5	+4.5
Degussa	365	+16
D'sche Babcock	146	−3
Deutsche Bank	328.5	+0.7
Dresdner Bank	151.7	+1.6
GHH	134.5	−0.5
Hochtief	617	+2
Hoechst	159.5	+4
Hoesch Werke	100	−2.5
Holzmann (P)	439.5	+0.5
Horten	165	+5
Kali und Salz	218	+3
Karstadt	239	+2
Kaufhof	209.2	+0.2
KHD	228	+2.5
Kloeckner	58	−0.2
Krupp	77.5	.
Linde	353	−2
Lufthansa	141	+0.5
MAN	137	−0.5
Mannesmann	138.9	+2.2
Mercedes Hld	472	...
Metallgesell	219	−6
Muench Rueck	1,000	−20
Preussag	258.7	+2.7
Rhein West Elect	159.5	+1.4
Rosenthal	235	+5
Schering	330	+0.8
Siemens	384.8	+2.5
Thyssen	74	−2.5
Varta	172	−0.5
Veba	167.5	+2
V.E.W	114.5	..
Verein-West	286	−1
Volkswagen	181.1	+2.1

ITALY

July 10	Price Lire	+ or −
Banca Com'le	17,400	..
Bastogi IRBS	122	+6
Centrale	2,040	+60
Credito Varesino	4,020	−80
Fiat	4,007	−18
Finsider	36	+1
Generali Assicur	33,700	−150
Invest	3,090	−50
Italcementi	47,450	−90
Montedison	228	[illegible]
Olivetti	5,115	[illegible]
Pirelli Co	3,000	[illegible]
Pirelli Spa	1,650	[illegible]
Snia BPD	1,560	[illegible]
Toro Assic	11,150	[illegible]
do. Pref	8,505	[illegible]

NETHERLANDS

July 10	Price Fls	+ or −
ACF Holding	163	[illegible]
AEGON	116.5	[illegible]
Ahold	183.3	[illegible]
AKZO	90.3	[illegible]
ABN	318	[illegible]
AMEV	155.7	[illegible]
AMRO	58	[illegible]
Bredero Cert	179	[illegible]
Bos Kalis Westm	20.1	[illegible]
Buehrmann-Tet	67.2	[illegible]
Calland Hldgs	26.5	[illegible]
Credit Lyon's Bk	47.8	[illegible]
Elsevier-NDU	123	[illegible]
Gist. Brocades	144.7	[illegible]
Heineken	126.5	[illegible]
Hoogovens	45.5	[illegible]
Hunter Douglas	29.9	[illegible]
Int Mueller	20.9	[illegible]
KLM	162	[illegible]
Naarden	36.5	[illegible]
Nat Ned Cert	213.8	[illegible]
Ned Credit Bank	31	[illegible]
Ned Mid Bank	136.8	[illegible]
Nedlloyd	96	[illegible]
Oce Grinten	255.5	[illegible]
Ommeren (Van)	27.3	[illegible]
Pakhoed	68.1	[illegible]
Philips	46.7	[illegible]
Rijn-Schelde	6.2	[illegible]
Robeco	60.2	[illegible]
Rodamco	139.1	[illegible]
Rolinco	57.9	[illegible]
Rorento	199	[illegible]
Royal Dutch	149.3	[illegible]
Unilever	257.3	[illegible]
VMF Stork	124	[illegible]
VNU	154.5	[illegible]
West Utr Bank	83.5	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

July 10	Price Kroner	+ or −
Bergen Bank	151	+1
Borregaard	250	+7.5
Christiania Bk	158	+0.5
Den Norske Credit	153	−0.5
Elkem	135	+2
Norsk Data	280	...
Norsk Hydro	592.5	+2.5
Storebrand	197.5	......

SPAIN

July 10	Price Pta %	+ or −
Bco Bilbao	340	+4
Bco Central	342	+1
Bco Exterior	206	......
Bco Hispano	254	......
Bco Santander	328	+3
Bco Vizcaya	366	.....
Dragados	150	+5
Hidrola	57	+0.5
Iberduero	65	+1
Petroleos	137.5	+0.5
Telefonica	83.7	+1.7

SWEDEN

July 10	Price Kronor	+ or −
AGA	350	+10
Alfa-Laval	330	+2
ASEA (Free)	332	......
Astra (Free)	395	......
Atlas Copco	128	−1
Boliden	305	......
Cardo (Free)	337	...
Cellulosa	164	+2
Electrolux B	251	......
Ericsson	323	+1
Esselte	285	+5
Mo Och Domsjo	285xd	−5
Pharmacia	288	−2
Saab-Scania	407	+1
Sandvik	400	......
Skandia	365	..
Skan Enskilda	180	+5
SKF	194	+1
St. Kopparberg	195	+15
Sven Handelsbn	182	−1
Swedish Match	237	+2
Volvo B (Free)	254	... ..

SWITZERLAND

July 10	Price Frs.	+ or −
Alusuisse	770	−5
Bank Leu	3,475	−50
Brown Boveri	1,365	−10
Ciba Geigy	2,210	...
do. (Part Certs)	1,745	+5
Credit Suisse	2,090	...
Elektrowatt	2,350	...
Fischer (Geo.)	615	+3
Genevoise	3,400	...
Hoff-Roche PtCts	94,500	..
Hoff-Roche 1/10	9,450xr	+25
Jacobs Suchard	6,175	−25
Jelmoli	1,740	..
Landis & Gyr	1,350	−20
Nestle	5,070	−5
Oer-Buehrle	1,080	−5
Pirelli	250	+2
Sandoz (Br)	6,800	+75
Sandoz (PtCts)	996	+6
Schindler (PtCts)	555	+5
Swissair	930	....
Swiss Bank	325	+2
Swiss Reinsce	7,475	......
Swiss Volksbk	1,360	+10
Union Bank	3,280	−10
Winterthur	2,910	......
Zurich Ins	16,950	−75

AUSTRALIA

July 10	Price Aust $	+ or −
ANZ Group	4.50xr	−0.05
Acrow Aust	1.55	...
Alliance Oil D.	0.61	+0.05
Ampol Pet	1.55	+0.03
Aust Cons Ind	1.76	−0.02
Aust. Guarant	2.60	+0.1
Aust. Nat. Inds	2.00	...
Aust. Paper	2.15	+0.02
Bell Group	4.30	+0.05
Bond Corp Hldgs	1.35	...
Boral	3.36	+0.06
B'ville Copper	1.68	+0.01
Brambles Inds	2.90	....
Bridge Oil	2.20	−0.05
BHP	9.46	+0.1
CRA	4.55	+0.02
CSR	3.16	+0.05
Carlton Utd	4.30	−0.1
Castlemaine Tys	4.30	.
Coles (G.J.)	3.67	+0.02
Comalco "A"	2.33	+0.03
Consolidated Pet	0.45	−0.07
Costain Aust	1.20	......
Dunlop Aust	1.69	+0.04
E.Z. Inds	6.02	+0.02
Elders IXL	3.78	...
Energy Res	1.58	+0.11

AUSTRALIA (continued)

July 10	Price Aust. $	+ or −
Gen Prop Trust	2.07	−0.01
Hardie (J.)	3.10	......
Hartogen Energy	2.10	..
HeraldW'yTimes	3.18	−0.04
ICI Aust	1.85	..
Jimb'lana/50cFP	0.23	−0.01
Kia Ora Gold	0.13	−0.01
Lend Lease	4.70	+0.05
MIM	2.73	+0.08
Mayne Nickless	2.35	+0.05
Meekatharra	0.42	...
Myer Emp	1.70	..
Nat. Com. Bk.	3.28	−0.02
News	9.50	+0.50
Nicholas Kiwi	4.12	+0.06
North Bkn Hill	2.08	+0.05
Oakbridge	0.78	−0.02
Otter Expl	0.45	..
Pancont'l	1.05	..
Pioneer Conc	1.38	+0.05
Queensland Coal	1.07	+0.04
Reckitt & Coln	3.48	+0.05
Repco	1.10	+0.02
Santos	5.74	+0.14
Smith (H.)	3.70	+0.05
Southland Min'g.	0.31	−0.02
Spargos Expl	0.34	+0.01
Thos. Natwide	1.65	+0.05
Tooth	5.50	..
Vamgas	2.80	−0.1
Western Mining	2.98	+0.02
Westpac	3.60	+0.04
Woodside Petrol.	1.13	+0.01
Woolworths	2.30	−0.02
Wormald Intl	2.58	−0.03

HONG KONG

July 10	Price H.K.$	+ or −
Bank East Asia	18.4	−0.6
Cheung Kong	6.8	+0.4
China Light	10.4	...
Hang Lung Devel	2.3	..
Hang Seng Bank	29	+0.5
HK Electric	5.25	+0.2
HK Kowloon Wh	3	−0.2
HK Land	2.3	+0.2
HK Shanghai Bk.	5.65	+0.2
HK Telephone	42	
Hutchison Wpa	9.35	+0.3
Jardine Math	6.5	+0.15
New World Dev	2.55	+0.05
Orient O'seas	2.02	...
O'seas Trust Bk.	2.47	...
SHK Props	4.67	+0.27
Swire Pac A	13.9	+0.3
Wheel'k Mard A.	2.72	+0.07
Wheel'k M'time	1.9	..
World Int. Hldgs	1.55	+0.05

JAPAN

July 10	Price Yen	+ or −
Ajinomoto	1,160	−30
Alps Electric	1,970	−30
Amada	1,100	+20
Asahi Chem	630	+18
Asahi Glass	764	−4
Bridgestone	594	+3
Canon	1,190	−10
Casio Comp	1,170	+10
Chugai Pharm	1,050	+10
Citizen	472	−7
Daiei	666	+1
Dai Nippon Ptg	904	+4
Daiwa House	526	−5
Ebara	318	.....
Eisai	1,010	−15
Fanuc	6,110	−140
Fuji Bank	920	...
Fuji Film	1,570	+40
Fujisawa	1,020	+50
Fujitsu	1,230	+20
Green Cross	1,620	..
Hasegawa	357	+2
Heiwa Real Est.	560	+4
Hitachi	828	−1
Hitachi Credit	1,300	−10
Honda	1,200	+10
House Food	723	......
Hoya	1,900	+80
Itoh (C)	288	−1
Ito.Yokado	1,900	−30
Iwatsu	1,300	....
JACCS	349	+1
JAL	3,190	+40
Jusco	850	−5
Kajima	278	....
Kao Soap	766	+1
Kashiyama	602	....
Kirin	556	−3
Kokuyo	968	−3
Komatsu	487	...
Konishiroku	571	+1
Kubota	308	...
Kumagai	493	+1
Kyoto Ceramic	6,100	+20
Maeda Const.	499	+1
Makino Milling	1,160	+20
Makita	935	−6
Marubeni	360	....
Marudai	622	−1
Marui	1,140	+50
MEI	1,660	+10
M'ta Elec Works	639	−1
M'bishi Bank	910	..
M'bishi Corp	543	−2
M'bishi Elec	380	+3
M'bishi Estate	498	−2

JAPAN (continued)

July 10	Price Yen	+ or −
MHI	229	−1
Mitsui Co	344	+2
Mitsui Estate	659	..
Mitsukoshi	360	−4
NGK Insulators	764	−13
Nihon Cement	213	−2
Nippon Denso	1,420	..
Nippon Elect	1,160	−20
Nippon Express	330	−4
Nippon Gakki	615	....
Nippon Kokan	144	..
Nippon Oil	900	−3
Nippon Seiko	539	−18
Nippon Shimpan	531	−5
Nippon Steel	155	..
Nippon Suisan	332	+4
NTV	11,100	−410
Nippon Yusen	224	+1
Nissan Motor	624	..
Nisshin Flour	535	−20
Nisshin Steel	184	−3
Nomura	674	−1
Olympus	893	−7
Orient Leasing	3,100	−100
Pioneer	2,610	−30
Renown	623	+1
Ricoh	883	..
Sankyo	793	−14
Sanyo Elect.	511	−5
Sapporo	474	−1
Sekisui Prefab	605	..
Seven-Eleven	8,550	−60
Sharp	1,070	..
Shimadzu	530	..
Shionogi	750	−26
Shiseido	1,090	+10
Sony	3,540	−20
Stanley	648	−12
S'tmo Bank	885	−10
S'tomo Elect	817	+2
S'tomo Marine	385	..
S'tomo Metal	165	−5
Taihei Dengyo	495	..
Taisei Corp	219	..
Taisho Pharm	918	−15
Takeda	775	−10
TDK	4,800	−40
Teijin	379	−6
Teikoku Oil	680	+5
Tokyo Marine	565	−4
TBS	752	−18
Tokyo Elect Pwr.	1,090	+10
Tokyo Gas	150	−2
Tokyo Sanyo	672	+10
Tokyo Style	700	−21
Tokyo Corp	285	..
Toppan Print	763	+8
Toray	412	−1
Toshiba Elect	377	−1
TOTO	575	−3
Toyo Seikan	775	−5
Toyota Motor	1,350	..
Victor	2,160	+20
Wacoal	760	−5
Yamaha	511	..
Yamanouchi	1,320	+20
Yamazaki	667	..
Yasuda Fire	283	−1
Yokogawa Bdge.	435	..

SINGAPORE

July 10	Price $	+ or −
Boustead Hldgs	2.26	−0.04
Cold Storage	3.10	..
DBS	7.95	−0.05
Fraser & Neave	5.10	−0.1
Genting	4.78	−0.02
Haw Par. Bros	2.07	−0.02
Inchcape Bhd	2.65	+0.02
Keppel Shipyard	2.06	..
Malay Banking	8.30	..
Malay Brew	6.60	−0.1
Multi Purpose	1.20	+0.01
OCBC	9.55	..
OUB	4.06	−0.02
Sime Darby	2.00	−0.04
Straits St'mship	1.45	−0.05
Straits Trdg	4.96	−0.14
UOB	4.50	−0.05

SOUTH AFRICA

July 10	Price Rand	+ or −
Abercom	1.5	+0.05
AE & CI	9.3	..
Anglo Am Coal	30	..
Anglo Am Corp	22.5	+0.5
Anglo Am Gold	145	+8
Barclays Bank	19	..
Barlow Rand	12.5	+0.5
Buffels	70	+2
CNA Gallo	2.7	−0.1
Currie Finance	4.7	−0.2
De Beers	9.05	+0.1
Driefontein	45.5	+2.25
FS Geduld	48	+4.5
Gold Fields S.A	25.25	..
Highveld Steel	4.8	..
Nedbank	13.25	−0.25
OK Bazaars	16.5	..
Protea Hldgs	1.9	..
Rembrandt	26	−0.5
Rennies	14.6	−0.25
Rust. Plat	13.15	..
Sage Hldgs	8.00	..
SA Brews	6.80	..
Smith C.G.	19.5	−1.3
Tongaat Hulett	10	..
Unisec	5	−0.1

CANADA

TORONTO

Prices at 2pm July 10

Sales	Stock	High	Low	Close	Chng
563	Kam Kotia	108	108	108	
900	Kelsey H	$27½	26⅞	26⅞	
600	Kerr Add	$17	17	17	
12712	Labatt	$19¼	19⅛	19⅛	
13400	Lac Mnrls	$29½	28¾	29¼	−¼
1400	Lacana	$10	10	10	
2500	LL Lac	$33½	33	33½	+½
6000	Sydney o	57	50	50	−4
50	Tack Cor A	$9⅛	9⅛	9⅛	−⅛
1635	Teck B f	$9⅛	9	9⅛	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Prices at 2pm, July 9

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 38

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Hinton (Amos)	298	+35
London & Mid.	128	+9
Phoenix Ass.	463	+7
Invent Energy	393	+11
ConsGold	484	+11
De Beers Defd	477	+19
FS Geduld	£25½	+£1⅛
Kloof Gold	£33⅜	+£1⅛
Vaal Reefs	£80⅝	+£4⅝

FALLS

Tr 14½ pc 04-08	£117⅝	−£1⅛
Allied Lyons	153	−6
BTR	428	−15
Baker Perkins	131	−6
Boss	363	−14
Blue Circle	383	−12
Boots	152	−7
BAe	335	−8
Cable & Wireless	288	−7
Debenhams	169	−7
Eng. China Clays	207	−9
Espley Trust	28	−18
GUS A	511	−14
GKN	158	−8
Imperial Group	150	−5
Land Securities	273	−7
P&O Defd	291	−7
Pilkington	235	−10
TI	212	−8
Watson (R.K.)	94	−8
Petranol	455	−50

LONDON STOCK EXCHANGE

MARKET REPORT

Markets react sharply after money supply figures; index falls 18.6—Gilts down £1½

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 18	June 28	June 29	July 9
July 2	July 12	July 13	July 23
July 16	July 26	July 27	Aug 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

The afternoon announcement of money supply figures suggesting a rise of 2 per cent in £M3 which proved to be at the worst end of market expectations gave a further nasty jolt to sentiment in London financial markets yesterday. Government stocks plummeted after trading on a relatively steady note earlier, while a reasonably orderly decline in equities gathered pace considerably.

The money supply figures, which came on a market already extremely sensitive about the current plight of sterling, gave rise to speculation that a further sharp rise in UK base lending rates was inevitable. Fears about the repercussions from the dock strike and disappointment over the failure of the National Union of Mineworkers' and the National Coal Board to reach agreement added to the general depression.

Bolstered initially by the overnight improvement in U.S. bonds, Government stocks traded around overnight closing levels before reacting violently. There were no signs of any recovery and final losses, which stretched to 1½ points in the longs and to a point and sometimes more in the shorts, were the lowest of the day. The Government securities index, down 0.76 at a new low for the year of 76.47, recorded its biggest fall since May 24 last when U.S. banking rumours soured the market.

Equity markets remained friendless throughout the trading session. The extent of the afternoon reaction was well illustrated by the Financial Times Industrial Ordinary share index which extended a loss of 8.2 at 2.00 pm to one of 18.6 at the close of 793.0 as dealers marked quotations lower in the face of more persistent offerings and the almost virtual lack of support. Yesterday's fall took the index back to below the 800 mark for the first time since February 7 this year and compares with the all-time peak level of 922.8 attained on May 3 1984.

Falls among the miscellaneous industrial leaders ranged to 15, while Stores, Buildings, Breweries and Engineers were among the worst hit sectors.

Phoenix below best

Phoenix provided some colour in an otherwise drab Insurance sector, rising 7 to 465p, after 472p, on speculative buying fuelled by talk that an outside interest, possibly Allianz, has recently built up a significant stake in the company. Other Composites, however, were dragged lower with the general trend. GRE, 548p, and Sun Alliance, 368p, lost 12 apiece, while Royals gave up 7 at 463p and Commercial Union relinquished 4 at 207p. Casualties among Lloyds Brokers included Willis Faber, 11 down at 872p and C. E. Heath, 7 easier at 471p.

Bolstered by the prospect of another imminent sharp rise in their base lending rates, the major clearing banks continued to trade on a much steadier level. Prices were inclined easier but closing reactions were minimal. Merchant banks remained on offer with Mercury Securities closing 15 down at 455p and Hambros 5 lower at 128p.

Dealings in Enterprise Oil were suspended at 99p, down 2, awaiting the result of Rio Tinto-Zinc's tender offer of 110p per partly-paid Enterprise share; it was announced later that the offer had been successful and had been accepted at a striking price of 101p.

Leather goods importers Pacific Sales Organisation made a quiet debut in the Unlisted Securities Market; the shares touched 63p before closing a penny above the placing price of 60p. Monday's USM newcomer Bush Radio, which started trading on Monday a penny above the placing price of 88p and not a penny below it as inadvertently stated here yesterday, settled a penny cheaper at 90p.

A relative backwater of late, major Breweries finally awakened to the likely effect of a mortgage rate rise on disposable income, and consequently suffered substantial losses. Bass were hardest-hit, falling 14 to 363p. Grand Metropolitan fell 8 to 312p, and Whitbread a couple of pence to 165p. Allied-Lyons, initially unsettled by talk of around 1m shares overhanging the market, failed to glean any encouragement from the chairman's cautiously optimistic statement at the annual meeting, and closed 6 off at 153p. Elsewhere, Distillers, the subject of adverse Press comment, gave up 7 to 282p.

Leading Buildings sustained widespread falls in the face of persistent small selling and the virtual absence of buyers. Blue Circle fell away to close a net 12 down at a low for the year of 383p, while Redland, 228p, and RMC, 346p, shed 6 apiece. Recent speculative favourite Rugby Portland Cement cheapened 2 to 109p and Tarmac lost 4 to 428p. BPB Industries were on offer and gave up 8 to 240p. Contracting and Construction issues fared a little better, but here too, sellers held sway. Housebuilders gave fresh ground ahead of the almost certain hike in mortgage rates. Barratt Developments shed 4 to 92p and George Wimpey softened a penny to 107p, while Bryant Holdings eased 2 to 59p. Further reservations about the likelihood of C. H. Beazer's 145p per share bid for the company succeeding left William Leech down 4 more at 124p, after 122p. Among Timber issues, comment on the annual results and the company's future prospects induced selling in May and Hassell which fell 7 to 100p. Magnet and Southerns, preliminary results due today, shed 6 to 136p, while Travis and Arnold lost 5 to 278p.

After the previous day's reaction of 12, ICI opened a shade dearer at 528p and progressed to 550p before the appearance of sellers left the close a couple of pence cheaper on balance at 544p. Other Chemicals lost ground with Laporte falling 8 to 285p and Croda International shedding 4 to 115p.

Stores react afresh

Relatively steady throughout the morning session, leading Stores succumbed to renewed selling as investors withdrew funds on continuing fears that mortgage rate increases could seriously affect the volume of consumer spending. Falls extended into double-figures with Woolworth, 443p, and Gussies "A," 511p, both around 15 lower. Habitat Mothercare, 284p, Burton, 239p, and Debenhams, 169p, all shed 8. This trend was also evident among second-line counters with Dixons 9 easier at 233p, and Harris Queensway 10 lower at 148p. Time Products were volatile and advanced to a new 1984 peak of 35p following the annual profits recovery and dividend resumption, but eased later to settle only a fraction firmer on balance at 32p. Further consideration of the board's denial of reports that takeover talks are in progress, tobacconists Alfred Preedy gave up 6 to 118p.

Awaiting tomorrow's preliminary statement, Thorn EMI declined 11 further to 507p. Other Electrical leaders drifted lower. GEC and Plessey both fell 5 to 182p and 203p respectively. Hong Kong uncertainties continued to plague Cable and Wireless at 288p, down 7, while AB Electronic dropped 15 afresh to 420p. Murray Technology cheapened 2 to 123p following the lower profits but, Fidelity firmed 5 to 105p in belated response to news of Caparo's increased shareholding.

The Engineering sector took a distinct turn for the worse on fears that even higher interest rates will considerably jeopardise the industry's recovery. GKN led the leaders lower, falling 8 to a new low for the year of 158p, while Hawker lost 10 at 415p and TI gave up 6 at 212p. Vickers relinquished 4 at 162p and Delta closed a similar amount easier at 76p. Baker Perkins dropped 6 to 131p and IMI receded 4 at 70p. Benjamin Priest remained a friendless market, following the previous day's decline of 3 with a fresh reaction of a penny to 9p, after touching 7p at one stage. Vosper, 191p, and Yarrow, 240p, fell 9 and 10 respectively. Against the trend, Carclo improved 4 more to 146p on further consideration of the excellent annual figures.

The Food sector displayed one of the day's few bright features in Amos Hinton which, having moved up to 265p on speculative buying, soared to 298p for a net gain of 35 following the company's statement that it had recently received an approach that may lead to a merger.

Leading Hotels and Caterers followed the general trend, but secondary issues had Kennedy Brookes 13 higher at 270p on speculative demand in a market short of stock.

Miscellaneous industrial leaders fell sharply on fears of another rise in base rates. BTR dropped 15 to 425p, while Glaxo, 850p, and Pilkington, 235p, declined 10 apiece. Boots gave up 7 to 152p as did Bowater to 240p, while Hanson Trust cheapened 6 to 211p. Reed International eased 4 to 428p; Mr Robert Maxwell yesterday increased his offer for the Mirror Group publications to £100m. Elsewhere, English China Clays fell 9 to 207p following a broker's assumption that the company will be seriously affected by a prolonged docks closure.

Nervously sold down to a low for the year of 28p, Espley Trust rallied to 33p following a statement from the company concerning the audited accounts and property disposals. However, this failed to stem the tide and the shares fell away again to close a net 16 down on the day at 28p. Other Properties remained mindful of the likelihood of another round of base rate increases with the leaders retreating as the session progressed. Closing levels were usually the day's lowest with both Land Securities and MEPC down 7 at 275p and 283p respectively. Stock Conversion also shed 7, to 33p, while Haslemere Estates fell 8 to 499p and Hammerson A lost 5 to 425p.

The threat of serious dock disruption again unsettled selected Shipping counters. British and Commonwealth, 850p, and the associate Caledonia, 750p, gave up 15 and 20 respectively, while Ocean Transport dipped 7 to 109p. Press comment casting doubts on the likelihood of a renewed bid from Trafalgar House clipped 7 from P & O Deferred at 291p.

Tobaccos closed with sizeable losses. Imps, the subject of considerable trade option put activity in front of tomorrow's interim statement, gave up 5 to 150p, while Bats dipped 10 to 220p.

Oils easier

Leading Oils were a quietly firm market for much of the day but encountered modest selling in the after-hours trade which left the majority of issues with small losses on balance. BP closed a net 5 off at 440p, after 448p, while Shell eased 3 to 620p, and Britoil and Tricentrol a *couple of pence apiece* at 223p and 183p respectively.

LASMO closed below the day's best levels but retained a 3 rise at 273p, after 278p.

Petranol were an active market in secondary issues and fell sharply to 448p on profit-taking prior to rallying and closing a net 50 cheaper at 455p. Pict Petroleum were barely changed at 160p ex-rights with the new quoted at 32p premium. Overseas stocks provided a firm feature in Invent Energy which jumped 11 more to a year's high of 395p on persistent optimism over the current drilling programme in the Paris Basin.

A strong rally in the bullion price in overnight U.S. markets and a good showing by precious metals in London prompted a continuation of Monday afternoon's recovery movement in Gold and related issues.

Bullion touched $348 in New York overnight and fixed at $346 in London in the morning before easing back to close a net $5 up on balance at $345 an ounce.

The Gold sharemarket opened sharply higher and continued to improve in morning trading but turned easier in afternoon business when American selling followed the downturn in bullion prices.

Nevertheless, closing gains in Golds were sufficient to produce a 27.8 rise in the Gold Mines index to 560.1. The June quarterlies from the mines in the GFSA group were generally well received.

Top performers in the heavyweights included Vaal Reefs, £4¾ firmer at £80¾ and Randfontein, £90¼ to the good at £90¼.

De Beers highlighted South African Financials and advanced strongly to close a net 19 higher at 477p following the half-year diamond sales figure from the Central Selling Organisation which showed a 23 per cent increase in diamond sales in Rand terms and a 7 per cent increase in dollar terms.

Other South Africans mirrored the trend in Golds. London-domiciled issues drew strength from Gold Fields and the widespread gains throughout precious and base-metal markets. Consolidated Gold Fields closed 11 to the good at 484p, after 488p but RTZ gave up 2 at 540p, following the downturn in domestic equities.

The Cornish tin producer Geevor held centre-stage in an otherwise quiet Tins market and jumped 14 to 187p in the wake of the record levels for tin prices on the London Metal Exchange.

Australians responded positively to the upturn on Wall Street and higher levels for metal prices. In the leading diversified stocks Peko-Wallsend were a strong performer and rose 12 to 270p, while MIM Holdings added 6 at 174p and North Broken Hill 3 to 131p. Golds were featured by GMK, 15 better at 430p, and Central Norseman which moved up 10 to 305p.

An evenly-balanced business in Traded Options resulted in 4,182 contracts struck. Calls totalled just over 2,000 with most of the interest confined to mining stocks where Vaal Reefs attracted 108 calls, and Consolidated Gold Fields 300 calls, 145 in the October 550's. In contrast, Imperial Group puts were in demand in front of tomorrow's interim results with 450 trades done, 351 in the November 140 series.

FINANCIAL TIMES STOCK INDICES

	July 10	July 9	July 6	July 5	July 4	July 3	year ago
Government Secs	76.47	77.23	77.79	78.02	78.22	78.09	79.97
Fixed Interest	81.56	81.82	82.25	82.40	82.38	82.31	82.99
Industrial Ord.	793.0	811.6	819.3	833.5	834.1	831.3	683.1
Gold Mines	560.1	532.3	539.8	502.4	599.9	606.3	674.5
Ord. Div. Yield	4.99	4.88	4.84	4.77	4.77	4.83	4.69
Earnings, Yld.% (full)	11.58	11.34	11.24	11.07	11.07	11.22	9.26
P/E Ratio (net) (*)	10.66	10.60	10.70	10.86	10.86	10.71	13.44
Total bargains (Est.)	17,687	16,520	16,843	15,456	18,386	17,530	19,747
Equity turnover £m.	—	193.70	213.88	182.84	251.88	185.98	196.80
Equity bargains	—	15,757	12,231	12,764	15,799	12,461	16,467
Shares traded (mil)	—	102.7	126.8	103.1	166.4	180.7	118.5

10 am 806.8. 11 am 806.9. Noon 804.4. 1 pm 803.5. 2 pm 803.4. 3 pm 800.0.

Basis 100 Govt. Secs. 8/1/58. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=9.92.

HIGHS AND LOWS — S.E. ACTIVITY

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	83.77 (9/1)	76.47 (10/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3)	81.56 (10/7)	155.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.3 (4/1)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (8/3)	520.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

	July 9	July 6
Daily Gilt Edged Bargains	150.8	157.7
Equities Bargains	102.0	79.2
Equities Value	391.5	432.3
5-day Average Gilt Edged Bargains	144.9	144.3
Equities Bargains	86.8	83.7
Equities Value	414.9	422.8

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 25	July 6	Sept 27	Oct 8
July 9	July 20	Oct 11	Oct 22
July 23	Aug 3	Oct 25	Nov 5

For rate indications see end of Share Information Service.

Stocks favoured for the call included John Brown, Jardine Matheson, Bowater, Acorn Computer, Mnemos, Turner and Newall, Eglinton Oil and Gas, Barker and Dobson, British Aerospace, North Kalgurli, Benjamin Priest, Brunswick Oil, Dares Estates, Associated British Ports and Enterprise Oil. A put was transacted in Benford Concrete Machinery, while doubles were arranged in Espley Trust, Eglinton and Strong and Fisher.

ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Cons Gld Flds	14	472	−12
ICI	14	546	−12
BTR	13	425	−15
Assc Brit Frest	12	41	−3
Freshbake Fds	12	105	—
Glaxo	12	860	−10
Bush Radio Nw	11	91	—
Cable Wireless	11	295	−5
Cmmrcl Union	11	211	−1
HK Shnghai Bk	11	51	+1
Preedy (A)	11	124	−8
Ultramar	11	296	−11
De Beers Dfd	10	458	−10
Mayfair & City Prop New	10	101	—

† Partly paid.

MONDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied-Lyons	153	−6
British Aerospace	335	−8
BP	440	−5
Cons Gold Fields	484	+11
De Beers Deferred	477	+19
Enterprise Oil New	99	−2
Espley Trust	28	−16
Fleet Holdings	182	−2
GKN	158	−8
ICI	544	−2
Lon & Midland Ind'ls	128	+9
Phoenix Assurance	465	+7

* Price at suspension

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (22)

NEW LOWS (219)

BRITISH FUNDS (90) INT. BK. & O'SEAS GOVT. STLG. ISS. (11) CORPORATION LOANS (2) COM'WEALTH & AFRICAN LOANS (1) LOANS (11) CANADIANS (3) BANKS (8) BUILDINGS (10) CHEMICALS (4) STORES (15) ELECTRICALS (6) ENGINEERING (7) HOTELS (1) INDUSTRIALS (25) LEISURE (3) MOTORS (1) PROPERTY (5) SHIPPING (4) TEXTILES (3) OILS (4) MINES (2)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	85	1
Corpns. Dom. and Foreign Bonds	2	36	43
Industrials	114	453	541
Financial and Props.	65	110	338
Oils	25	24	71
Plantations	1	3	16
Mines	78	31	85
Others	76	62	129
Totals	360	791	1,533

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 22,115

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

July 10, Total Contracts 4,182. Calls 2,007. Puts 2,175

* Underlying security price.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100 13/16	100 1/16	Treas 12pc 1984	100 3/16	–1/32	11.98	10.47
105⅝	101⅛	Treas. 15pc 1985	101⅞	–⅛	14.73	11.59
102¼	100¼	Exch. 12pc Cnv. '85	100¼	–⅛	11.97	11.49
95⅛	93⅜	Treas 3pc 1985	93 11/16	–1/16	3.20	10.68
102⅝	100	Treas 11½pc 1985	100xd	–1/16	11.50	11.50
99¼	96 13/16	Treas 8¾pcCnv '85	96 13/16	–⅛	9.03	11.58
104 3/16	100⅝	Exch 12¼pc 1985	100⅛	–1/16	12.20	11.85
103 11/16	99⅝	Exch 11¾pc '86	99⅝	–3/16	11.83	11.93
102 3/16	96¼	Treas. 10pcCnv 1986	96¼	–1/16	10.39	12.32
90 1/16	88¼	Treas 3pc 1986	90 1/16	–⅛	3.33	8.92
102	97 1/16	Exch. 10½pc Cv '86	97 1/16	–3/16	10.82	12.26
104 3/16	99 1/16	Treas 12pc 1986	99 1/16	–⅛	12.07	12.31
98¼	94⅛	Treas 8½pc 1984-86‡‡	94½xd	–1/16	9.03	11.89
108 13/16	102⅞	Exch. 14pc 1986	102⅞	–⅛	13.61	12.45
87⅛	85	Exch 2½pc 1986	85 13/16	–1/16	2.91	9.24
107 13/16	101 11/16	Exch. 13¼pc 1987	101 11/16xd	–1/16	13.03	12.43
100⅝	95	Treas 10¼%Cv '87	95xd	–¼	10.79	12.58
86⅛	83⅛	Exch 2½pc 1987	83¼	–1/16	2.99	9.64
101 1/16	95	Exch. 10½pc 1987	95	–¼	11.05	12.68
92 3/16	87 1/16	Funding 6½pc '85-87‡‡	87 1/16	–3/16	7.46	11.98
99⅝	93 13/16	Treas 10pc 1987	93 13/16	–1/16	10.66	12.59
85	81 1/16	Treas 3pc 1987	83 1/16xd	–⅛	3.61	9.62
105	98¼	Treas. 12pc 1987	98¼	–⅛	12.21	12.61
94⅞	88¼	Treas 7¾pc 1985-88‡‡	88¼xd	–⅛	8.73	11.72
100¾	93⅜	Exch 10½pc '88	93⅜	–1/16	11.20	12.58
98 7/16	90⅞	Treas 9¾pc Cv '88	90⅞	–1	10.73	12.77
82	77	Transport 3pc '73-88	78¼xd	–⅛	3.81	9.53
96 13/16	89 11/16	Treas. 9½pc '88	89 11/16	–⅛	10.59	12.64
106¼	95 11/16	Treas 11½pc 1989	95 13/16	–1 1/16	12.00	12.69
95 3/16	88⅝	Treas 9½pc Cnv. '89	88⅝	–1⅛	10.69	12.65
95½	92 1/16	Treas 10½pc 1989	92 1/16	–1	11.37	12.63

Five to Fifteen Years

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100 3/16	89⅜	Exch.10pc 1989	89¼xd	–1	11.07	12.66
85⅛	77½	Treas 5pc 1986-89	78⅛	–¼	6.50	10.86
112¼	101⅛	Treas 13pc 1990‡‡	101⅛xd	–⅞	12.81	12.60
110⅞	103	Exch. 12½pc 1990	103	–⅞	12.60	12.68
93¼	84⅞	Treas 8¼pc 1987-90‡‡	85¼	–⅝	9.74	11.92
98 13/16	90⅝	Treas. 10pcCv 1990	92⅝	–1	11.28	12.63
109⅞	95⅞	Treas 11¾pc 1991	95⅞	–1	12.26	12.69
84⅛	75⅝	Funding 5¾pc '87-91‡‡	76¼	–⅝	7.70	11.18
105¾	95	Exch. 11pc 1991	95	–1⅛	11.87	12.54
112⅝	100½	Treas 12¾pc 1992‡‡	100½xd	–1⅛	12.64	12.56
100⅝	92¼	Treas 10pc 1992	92¼	–1	11.31	12.38
111⅛	102¼	Exch. 12¼pc '92	102¼	–1¼	12.54	12.71
117½	107⅝	Exch 13½pc 1992	107⅝	–1	13.04	12.76
113⅝	99⅝	Treas 12½pc 1993‡‡	99⅝xd	–1	12.53	12.55
78⅛	71¼	Funding 6pc 1993‡‡	71¼	–⅝	8.59	11.37
121¼	108¼	Treas 13¾pc 1993‡‡	108¼	–1⅛	12.93	12.55
126¾	116⅛	Treas 14½pc 1994‡‡	116⅜	–1⅛	13.05	12.47
120⅝	107⅜	Exch 13½pc 1994	107⅜	–1⅛	12.61	12.64
114⅛	104¼	Exch. 12½pc 1994	104¼	–1⅛	12.57	12.59
94½	84⅛	Treas 9pc 1994‡‡	84⅛	–⅝	10.87	11.93
109⅝	96⅜	Treas 12pc 1995	96⅜xd	–1⅛	12.39	12.55
64⅛	58¼	Gas 3pc '90-95	58¼	–¼	5.16	9.18
99⅛	87½	Exch. 10¼pc 1995	87½xd	–⅞	11.68	12.31
117⅞	104⅛	Treas 12¾pc 1995‡‡	104⅛	–1	12.48	12.37
122⅝	108⅛	Treas 14pc '96	108⅛xd	–1⅛	12.90	12.57
94⅜	84⅜	Treas 9pc 1992-96‡‡	84⅜	–¾	11.05	11.98
134⅞	119⅛	Treas 15¼pc 1996‡‡	119⅛	–1⅛	13.12	12.56
122⅛	107½	Exch 13¼pc 1996‡‡	107½	–1¼	12.57	12.35
69½	63⅝	Redemption 3pc 1986-96	63⅝	–¼	4.78	7.76
120	105⅜	Treas 13¼pc 1997‡‡	105⅜xd	–1⅛	12.53	12.33
104½	93⅝	Exch 10½pc 1997	93⅝	–1⅛	11.72	12.12
92½	82½	Treas 8¾pc 1997‡‡	82½	–⅞	9.79	11.88
134⅝	118⅞	Exch 15pc 1997	118⅞	–1¼	12.95	12.51
95½	84⅞	Exch. 9¾pc 1998	84⅞xd	–1⅛	11.56	12.00
78	68⅜	Treas 6¾pc 1995-98‡‡	68⅛	–⅞	10.07	11.58
138⅝	124½	Treas 15½pc '98‡‡	124½	–1¼	12.90	12.42
115	100⅜	Exch. 12pc 1998	100⅜	–1¼	12.16	12.18
96	84½	Treas 9½pc 1999‡‡	84½xd	–1⅛	11.23	11.41
116¾	104⅛	Exch. 12¼pc 1999	104⅛	–1⅛	12.18	12.16
104½	91⅞	Treas. 10½pc 1999	91⅞	–1⅛	11.69	11.55

Over Fifteen Years

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102½	89½	Convers'n 10¼pc 1999	89½	–1¼	11.64	11.94
121½	106½	Treas. 13pc 2000	106½xd	–1¼	12.19	12.06
128½	112⅜	Treas. 14pc '98-01	112⅜	–1⅛	12.67	12.38
113⅛	98⅝	Exch. 12pc '99-02	98⅝xd	–1⅛	12.12	12.14
98⅞	90	Conv. 10pc 2002	90	–1⅞	11.43	11.63
126⅝	111	Treas. 13¾pc 2000-03	111xd	–1½	12.33	12.11
114⅞	101½	Treas. 11½pc 2001-04	101½	–1½	11.75	11.77
50	44	Funding 3½pc '99-04	44xd	–½	7.95	10.04
123⅝	107¾	Treas. 12½pc 2003-05	107¾	–1⅛	9.64	10.64
87½	77¼	Treas. 8pc 2002-06‡‡	77¼	–1	10.65	11.01
115⅝	100	Treas. 11¾pc 2003-07	100xd	–1⅛	11.71	11.70
132⅛	117¼	Treas. 13½pc '04-08	117¼	–1½	11.86	11.68
64⅞	56¼	Treas. 5½pc 2008-12‡‡	56¼	–⅞	10.11	10.61
84⅛	72⅞	Treas. 7¾pc 2012-15‡‡	72⅞xd	–1	8.32	10.75
124½	109	Exch. 12pc '13-'17	109	–1⅛	11.11	11.06

Undated

1984 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
40⅞	36	Consols 4pc	36xd	–⅛	11.04	—
37⅝	32⅝	War Loan 3½pc‡‡	32⅝	–¼	10.86	—
44⅞	41½	Conv. 3½pc '61 Aft.	41½	–⅞	8.64	—
31⅝	28	Treas. 3pc '66 Aft.	28	–¼	11.03	—
25¾	22⅞	Consols 2½pc	22⅞	–¼	10.95	—
26	23	Treas. 2½pc	23⅛	–¼	11.14	—

Index-Linked

1984 High	Low	Stock	(b)	Price £	+ or –	(1)	(2)
104¾	101	Treas 2pc '88	(297.1)	101	–¼	4.84	5.72
91⅞	85½	Do. 2pc '90	(333.9)	85½xd	–1⅛	4.89	5.50
106½	100	Do. 2pc '96	(267.9)	100	–1¼	4.09	4.38
97⅞	89⅝	Do. 2½pc '01	(308.8)	89⅝	–1⅛	3.88	4.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for Oct., 1983: 340.7 and for May, 1984: 351.0.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australians

Tins

Miscellaneous

175	100	♥Colby Res. Corp.	105	......	—	—	—
955	675	Cons. Murch 10c	700	......	1Q100c	1.4	8.0
£20¼	£15	Eastern Trns. Cns 50c	£15xd	......	Q90c	♦	3.3
		For Echo Bay Mines see Canadians					
252	175	Hampton Areas 10p	177	+2	3.75	♦	2.9
205	145	♥Highwood Res	145	−5	—	—	—
£24½	£16	Homestake Mining $1	£17¾	+1	Q20c	—	0.9
365	275	Northgate C$1	285	......	—	—	—
718	540	RTZ	540	−2	18.0	2.5	4.8
£155½	£121½	Do. 9½pcLn '95 2000	£123	+1½	Q9½%	35.4	7.7
110	55	♥Sabina Inds C$1	60	......	—	—	—
£11¼	875	♥Tara Exptn $1	912	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Φ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 163(4)(a).
- ⁑ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

IRISH

OPTIONS — 3-month call rates

Grand Met	30	Tesco	16	Mines	
GUS "A"	55	Thorn EMI	55	Charter Cons	24
Guardian	50	Trust Houses	18	Cons Gold	58
GKN	20	Turner Newall	10	Lonrho	12
Hanson Tst	17	Unilever	75	Rio T Zinc	60

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

High Income				
Gilts & Fixed Int.	109.1	115.4	−0.4	10.40
High Inc Equity	60.1	63.9	−0.3	6.71
Capital Growth				
American Growth	98.8	105.1	+0.3	1.84
Assets & Enrgy. Tst.	56.6	60.5	−0.5	3.34
Capital Reserve (z)	52.1	52.4	+0.1	0.80
Commodity & Engy	68.7	73.1	+0.9	3.15
General	87.4	93.5	−0.2	2.92
Japan	132.9	141.1	+0.4	0.21
UK Growth	56.5	60.7	..	3.80
Acc Units	79.0	84.9	+0.1	2.80
U.S. Emerging Co's	48.4	51.8	+0.1	0.50
Worldwide Bond	145.1	154.4	+0.4	3.56
Equitas Prog.	125.9	134.7	−0.2	3.98

Aitken Hume
30, City Road, EC1Y 2AY 01-628 6626

American Tech Fd.	117.8	126.0	+1.3	0.20
Inc & Gwth Fd	32.8	35.0	−0.7	4.42
Pacific Fd	121.4	129.8		0.30
Secured Income Fd	116.7	125.0	−0.5	5.90
Special Sits	149.0	159.2	..	0.97
Energy Fd	36.9	41.7	..	0.60
American Majors	48.7	52.1	+0.6	2.00
Small Co's Fd	252.0	270.0	−2.0	1.97
Jap. Technology	53.8	57.5	+0.7	0.20

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

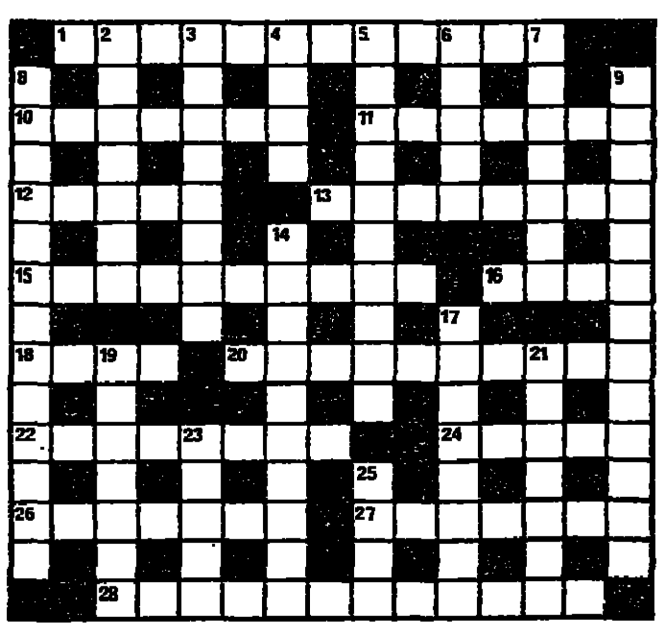
Balanced Trusts				
First Trust	129.6	137.3	−0.3	4.95
Growth & Income Tst.	82.7	87.7	−0.1	4.09
Capital Trust	154.3	163.6	−0.8	3.52
Balanced Trust	223.1	236.5	−0.5	4.20

[illegible]

INSURANCES

[illegible]

F.T. CROSSWORD PUZZLE No. 5,462



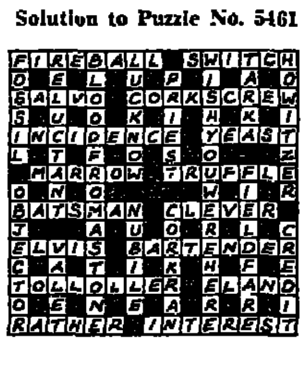
ACROSS

1 Son of David gets second impression seeing flower (8,4)
10 3 beginning (7)
11 Freedom from garland no doubt (7)
12 Washerman has extremely devilish broad sash (5)
13 Old King cut valuable cabbage (8)
15 One to take another look in laboratory ? (10)
16 Patient about to go to Home Counties (4)
18 Have a desire, albeit churlish in here (4)
20 Official after teacher ! (10)
22 Spotted church youth leader following pupil in trouble (8)
24 Bridge player with rubbish to discard (5)
26 "Poor man's only possession" you said to essayist (3-4)
27 Monster despatched say to an old city (7)
28 Former colony culture (12)

DOWN

2 Switch minus two rings is inauspicious (7)
3 Innate as Stevenson's Eno (8)
4 Wiseacres take top off drinking cups (4)
5 Loose house tile that first made an outline (10)
6 Some steel I decided to cut off (5)
7 Unusual clue love; mother has eye trouble (7)
8 Youngster goes to the German abbey for carpet (13)
9 It could influence one's choice of gear (7,6)
14 Having this you wouldn't want a rise (10)
17 Fish I catch with cradle (8)
19 Pass member note at Trinity for example (7)
21 Is it a danger to sailors at a party ? (7)
23 Vagrant finds butter in outskirts of Thorp (5)
25 Course without a tax (4)

Solution to Puzzle No. 5461



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01 440 8210
Fund Managers, Touche Remnant & Co.

Sel Ser. A	21 9	25 2		
Blue Chip	19 2	20 6		
Fixed Yield	18 2	19 2		
Guaranteed Mny	15 4	16 3		
Managed	17 7	18.7		
International	[illegible]	24 9		
Property	15.2	16 0		—
Pacific	17 9	18 9		—
Equity	14 5	15 1		—
Special Sits	20 8	21 9		—
Int Currency	13 3	14 1		—
Index Linked Secs	10.5	11 1		—
American	16 7	17 6		—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.08	14 78		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202

Multi Gwth July 6		£2 69143		—
Multi Gwth 'A' July 6	248.0	261.1		—
Op 8 Prop July 5	250 7	263 9		—
Op 8 Equity July 9	300 5	316.2	−2.0	—
Op 8 Hy July 5	254 6	268 1		—
Op 8 Man July 5	304.8	320.9		—
Op 8 Dep July 9	193.8	204.1		10 79
Op 8 Int Bond July 5	162.9	171 5		—
Op 8 Inc Dist July 5	129 4	136.3		8.40
Op 8 Int Man July 5	174 9	184.2		—
Op 8 US$ July 5	136.1	143.3		12.10
Pens B Pr Ac June 15	314.4	331.0		—
Pens B Pr Cp June 15	210.9	222.0		—
Pens B Eq Ac June 15	833 1	877.0		—
Pens B Eq Cp June 15	558 6	588 1		—
Pens B FI Ac June 15	366 4	385.7		—
Pens B FI Cp June 15	245.7	258 7		—
Pens B Md Ac June 15	522 0	549 5		—
Pens B Md Cp June 15	350 0	368.5		—
Pens B Dp Acc June 15	300 4	316.3		—
Pens B Dp Cp June 15	201.4	212.1		—

Britannia Funds—Series A

Am Smalr Co's July 4	124.4	131.0		—
Am Spec Sits July 4	139 4	146 8		—

National Provident Institution
48, Gracechurch St, EC3P 3HH 01-623 4200

Managed	170 2	179 2	−0 1	
UK Equity	178 7	188.2	−0 6	
Overseas Eq	164 2	173 8	+0 7	
American	170.2	179 2	+1 0	
Far East	158.0	166 4	+0 8	
Property	109 5	115 3		
Fixed Int.	147 8	155 7	−0 1	
Indexed Gilt	95.1	100 2	−0 7	—
Deposit	110 4	116 4		

Pension Fund Prices

Man Initial	166 4	175.2	−0.3	—
Man Acc	182 4	192 0	−0 2	—
UK Eq Initial	166 9	175 7	−0.4	—
UK Eq.	180.1	189 6	−0.5	—
Overseas Eq. Initial	186 6	196 5	+0.8	—
Overseas Eq.	210.7	221 8	+0.9	—
American Initial	181 4	191.0	+1.0	—
American	196 4	206.8	+1 1	—
Far East Initial	196.0	206 4	+1 0	—
Far East	212.8	224 0	+1 2	—
Prop Initial	104.8	110 4	−0.1	—
Prop	113.5	119 5	−0 1	—
Fixed Int. Initial	130.0	136 9	−0.5	—
Fixed Int.	140 5	147 9	−0 6	—
Indexed Gilt Initial	90.5	95.3	−0 6	—
Indexed Gilt	98 0	103.2	−0.7	—
Deposit Initial	108.8	114.6		—
Deposit	118.3	124 6		—

NPI Pensions Management Ltd.

Managed Fund	459.2	471 0		—

Prices June 29. Next dealing August 1.

New Zealand Sth. Brit. Insce. PLC
Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key (Managed)	373.2	333.2		—
UK Equity	141.0	148.5	−0 7	—
American	235 7	248.1	−0 3	—
Pacific	324.9	342 0	−2 4	—
Property	148.2	156.0		—
Gilt	169.2	178 1	+0 3	—
High Inc. Equity	133 7	140.8	−0.8	—
High Inc. Fxd. Int.	95.9	100.9	−0.9	—
Deposit	145.8	153.5		—
Index-Linked Gilt	97 4	102 5	−0.8	—

Norwich Union Insurance Group

Save & Prosper Group

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth.

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Wide Growth Management
10a Boulevard Royal, Luxembourg

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM 0624 25015

Wren Com Fund	17 8	18 6		1 10
Chinese Fund	59 5	62 8		1 70
Precious Metal Fund	128 6	135 9		8 30
[illegible]	28 5	29 5		2 26
Financial Futures Fd	61.5	63 8		—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal Luxembourg

Dynamic Gwth Fd	58 64	−0 08	—

Money Market Trust Funds

Nom Apr Int Cr Notice

Mallinhall Ltd
16 Berkeley Sq, W1X 5DA 01-499 6634

The Money Market Trust
63 Qn Victoria St, EC4N 4ST. 01-236 0952

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE 01-236 1425

Money Market Bank Accounts

Nom APR Int Cr Notice

Aitken Hume

Bank of Scotland
38 Threadneedle St, EC2P 2EH 01-628 8060

Barclays Prime Account
PO Box 125, Northampton 0604 252891

Britannia Grp of Investment Companies

Charterhouse Japhet plc
1 Paternoster Row, EC4M 7DH 01-248 3999

Choulartons

Co-operative Bank

[illegible]

COMMODITIES AND AGRICULTURE

Exporters prepare for tea talks

NEW DELHI — Senior trade officials of India and Sri Lanka have discussed mutual co-operation to boost production and exports of tea, a Commerce Ministry spokeswoman said yesterday.

She said this second round of official bilateral talks between the two leading exporters included discussion of world prices and joint research and development to improve production and quality.

Officials of the two countries also discussed tea packaging and replacing traditional and expensive plywood chests with cheaper synthetic substitutes.

The spokeswoman said the Commerce Ministry is reluctant to say more at this stage in view of a UN conference of tea producing countries starting in Geneva next week.

Sugar pact failure blamed on Australia

HAVANA — Cuba blames Australia for the failure of the recent United Nations conference in Geneva to reach a new International Sugar Agreement.

The daily Granma newspaper quoted Sr Amadeo Blanco, Cuban Vice-Minister of Foreign Trade, as saying the Australians "not only blocked an economic agreement but also tried to prevent the approval of an administrative agreement."

Sr Blanco added that Australia had insisted any accord should take into account Cuba's important sugar sales to the Communist bloc, which would have cut its world market sales.

● The Home Grown Cereals Authority said reports from its regional cereals offices suggest that the UK is on course for a record cereal harvest this year.

Surprise reaction to zinc price cut

BY JOHN EDWARDS, COMMODITIES EDITOR

THERE WAS a topsy-turvy reaction yesterday to news that Metallgesellschaft, West German smelters, had cut its European zinc production price by $50 to $990 a tonne.

Instead of falling, the cash zinc quotation on the London Metal Exchange jumped by £27.5 to £649.5 a tonne, and the three months price gained £22.75 to £653.5.

Dealers noted that the LME prices, which reached the highest level for nearly 10 years earlier this year, had already fallen steeply to well below the European producer price level. It was claimed that a further reduction in the producer price, which was cut from $1,090 to $1,040 a tonne only two weeks ago, had already been discounted by the market. Yesterday's sharp rise, which came mainly before the Metallgesellschaft announcement, was exaggerated by thin trading.

The announcement on Monday by Preussag, the other West German smelter, that it was cutting output in July and August to match reduced demand in the summer months had clearly signalled that the previous shortage of supplies has eased. Further confirmation was provided by offers at the U.S. Mint tender to supply zinc at well below present U.S. producer prices.

LME traders believe that the cut in the European zinc producer price by Metallgesellschaft may well be the start of a bid by the smelters to break away from the producer price system in favour of free market pricing. Integrated producers, who both mine and smelt zinc, may refuse to follow the latest reduction in the belief that it will not result in any extra sales.

Meanwhile, the London Metal Exchange announced yesterday that it has decided to introduce a high-grade zinc contract, with a minimum purity of 99.950 per cent.

The contract, which will start trading on September 3, will run concurrently with the existing standard zinc until November before the new contract and the present standard grade contract will be phased-out.

The exchange said the introduction of the new contract reflects the fact that production of high grade zinc now considerably exceeds production of the GOB (good ordinary brand) and prime western grade zincs that form the basis for the standard contract.

World aluminium stocks increase in May

NON-COMMUNIST world stocks of all forms of aluminium, including scrap, rose by 81,000 tonnes in May, to a total of 4,020,000 tonnes, the International Primary Aluminium Institute announced yesterday.

However, this still left stocks down compared with a year ago when they were 4,081,000 tonnes. Stocks of primary aluminium alone also rose in May by 50,000 to 2,128,000 tonnes. They were 2,337,000 at end May last year.

The increase in stocks was less than anticipated by some traders who had been forecasting a rise of as much as 100,000 tonnes. As a result the initial reaction on the London Metal Exchange was for prices to advance slightly.

At one stage three months aluminium reached £900, but it declined to close at £891.5 a tonne, £2.25 down on the previous day.

The fall was limited by the gains in the copper and lead markets, helped by the recovery in gold.

Sharp rise in cocoa market

COCOA PRICES advanced strongly in the London futures market yesterday regaining some of the heavy losses suffered in the past month. The September position closed £75 up at £1,822.5 a tonne on both trade and speculative buying.

The rise reflected some concern about a shortage of immediately available supplies developing. These were rumours that some Nigerian cocoa qualities were below standard and buyers were, therefore, having to seek supplies from other producers.

● LONDON POTATO futures rose sharply yesterday. The April position gained £13.5 to £135 a tonne. Traders said buying interest was stimulated by suggestions that there had been insufficient rain to relieve the effects of the drought, and unconfirmed reports that some irrigated potato production areas would face a cutback in water supplies.

● BRAZIL'S recently completed soyabean harvest rose to a record 15.48m tonnes from the previous year's 14.6m and the previous record of 15.2m harvested in 1980, the Safras E Mercado newsletter said.

The figure is slightly below its previously estimated 15.5m to 15.7m tonnes but is above general trade estimates of about 15m tonnes.

● THE EUROPEAN Commission has authorised a special tender on August 1 for UK intervention breakmaking wheat for sale on the home market, according to the Home Grown Cereals Authority.

The minimum purchase level will be £122.17 per tonne.

● INDIA's foodgrain stocks are estimated at more than 17.71 tonnes as of June 1, sharply up from 16m a year ago, Mr V. B. Varma, Agriculture Ministry spokesman said.

Wheat stocks were 12.59m tonnes (11.26m a year ago) and rice stocks 5.07m tonnes (4.55m).

TROPICAL HARDWOODS

Hurdles to tapping the Amazon's reserves

BY A SPECIAL CORRESPONDENT

AS RESERVES of tropical hardwoods begin to run down in Asian and African countries, the time is approaching when the huge stocks in Amazonia, an area estimated to contain between 25-35 per cent of the world's remaining hard wood, start to be exploited.

At the moment, only about 400,000 tons a year of sawn and semi-processed timber of all varieties is exported from Brazil, and home consumption remains small. Yet it will not be just a case of switching output from one part of the world to another. There are very good reasons why the Amazon's wood reserves, with the important exception of mahogany, have hardly been touched until now.

The first and biggest one is the nature of the Amazon forest. There are at least 1,000 known species of tree in the jungles. Less than 200 species have a commercial value, only 40 have international quotation, and 15 are well known.

There is an average of 120 cubic metres of wood suitable for use in one hectare of dense forest, and this can fall to less than 80 cubic metres in less dense areas. This means that there may be less than 1 cubic metre of any one commercial variety in a hectare. In contrast, 40 per cent of what exists in a typical area of Asian forest is known and valuable.

The problems caused by the huge range of Amazon wood, is being tackled in laboratories. Work is being done on grouping species of wood which share virtually the same characteristics of appearance and behaviour, so they can be marketed in conjunction.

The last thing that timber merchants want, is to be persuaded of the attractiveness of a new type of wood, and start to take deliveries of it, only to see it disappear from the market after a few months. The market insists on a steady flow for at least five years, which is difficult to achieve with Amazon woods, but not impossible. The same difficulties applied in Asia, until the process of grouping was carried out.

Another problem with the Amazon forest is the high cost of extraction. About 90 per cent of the wood removed at the moment, again with the exception of mahogany, is from swampy areas. The trees are cut during the dry season, and then floated down river to sawmills in Manaus, Santarem, and Belem, forming rafts of up to 1,000 trunks, in the rainy season. The region's infrastructure is so precarious that any other method of extraction is unviable, and would be interrupted in the rainy season, anything up to six months.

The nature of Amazon soil is sandy, and with a lot of unrotted organic material, in the form of leaves. This makes working with heavy machines in the forest impossible, and the extraction of timber by land unfeasible.

A third obstacle is that there are still very few large companies operating in the region. Traders in Europe and elsewhere are reluctant to put themselves in the hands of one or two suppliers who, for the best of reasons or perhaps not, might interrupt supplies or increase prices unacceptably.

However, these problems are by no means insoluble, Mr Sergio Lupatelli, president of the Amazonian Timber Merchants Association and president of the Manaus timber company, feels that within five years the time will be right for the Amazon forest to begin to be worked on a larger scale and the obstacles will be overcome.

Already, says Mr Lupatelli, some far-sighted companies are sending people to follow developments every year or so. About a third of Brazil's tropical wood exports are handled by foreign companies, including the Japanese Eidai, the Dutch Brumasa, and the U.S. Atlantic Veneer.

Work is being done by Brazil's forestry institute, the IBDF, to evaluate the country's timber resources, and work toward a categorisation system.

One result of the IBDF studies is that the well-publicised devastation of the Amazon fest has been shown to have proceeded at a far slower pace than feared.

Only 2.47 per cent of the total Amazon cover has been altered in any way so far, amounting to about 12m hectares. About 9.5m of this, however, has been affected in the five years 1975-1980, at a rate accelerating from 1.6m hectares a year to 2.3m a year more recently.

Much of this clearance has been done on some of the 10.5m hectares of plots marked out in the Amazon for small government-sponsored settlers, and on the 5.2m hectares used for cattle raising.

Boost for Australian cattle

AUSTRALIA'S CATTLE herd is forecast to rise over the next four years, ending eight years of herd depletion since cattle numbers peaked at 33.4m head in 1976, the Australian Meat and Livestock Corporation said yesterday.

In its latest livestock industry projections, the AMLC said that it forecast a rise in the herd to 22.8m head in the year ended March 31 1985 from 22.2m in 1984.

In 1986, cattle numbers will rise to 23.3m head, to 24m in 1987, and to 25m in 1988.

The forecast rise in cattle numbers in the current year to March 1985 is largely due to low death rates, stock witholding by producers taking advantage of very good pastures, and expectations that good prices will continue, the AMLC said.

It also forecast a rise in beef and veal production to 1.31m tonnes carcase weight in calendar 1985 from 1.26m this year, reflecting an increase in total cattle slaughter to 7.4m animals from 6.7m.

Beef exports are forecast to rise to 690,000 tonnes from a predicted 645,000 in 1984.

The corporation forecasts a decline in beef/veal production to 1.27m tonnes in both 1986 and 1987 and then a rise to 1.34m in 1988. Reuter

Zimbabwe lifts maize price

BY TONY HAWKINS IN HARARE

ZIMBABWE YESTERDAY announced a pre-planting maize price for the 1984-85 growing season of Z$180 a tonne (£113), an increase of almost 29 per cent on last year.

Maize output in Zimbabwe fell steeply between 1981 and 1983 due mainly to poor rainfall, but also because farmers were putting in fewer hectares of maize. Deliveries to the state-owned Grain Marketing Board in 1983 were down to 615,000 tonnes from more than 2m tonnes in 1981.

Grain producers have been seeking an incentive price to boost the area under maize and reverse the situation whereby Zimbabwe is being forced, in 1984 to import between 300,000 tonnes and 400,000 tonnes of maize.

Maize growers had asked the Government for a price of Z$200 a tonne, and there is bound to be some disappointment, especially in marginal grain-producing areas. However, the feeling in farming circles is that provided there are reasonable rains next season, this price should just be adequate to ensure that Zimbabwe regains self-sufficiency

PRICE CHANGES

In tonnes unless stated otherwise	July 10 1984	+ or −	Month ago
Metals			
Aluminium	£1100		£1100
Free Mkt	$1180-1220		$1255/1315
Copper			
Cash h Grade	£994	+15.5	£974.5
3 mths	£1013.25	+14.5	£995.75
Cash Cathode	£988.75	+15	£970.5
3 mths	£1016	+14.25	£993
Gold troy oz	$345	+5	$371.50
Lead Cash	£368.5	+15	£342
3 mths	£354.25	+10.5	£341.75
Nickel	£5203		£5097
Free Mkt	207/227c	−2	218/260c
Palladium oz	$139.50	+4	$150.00
Platinum oz	$348.75	+3.75	$378.00
Quicksilver	$295/305		$295/305
Silver troy oz	575.15p	+21.95	626.05p
3 mths	590.45p	+22.85	640.35p
Tin cash	£9487.5	+75	£9147.5
3 months	£9596.5	−1	£9076.5
Tungsten	$85.23		$84.14
Wolfram 22.04lb	$82/87		$85/89
Zinc	£649.5	+27.5	£696
3mths	£653.5	+22.75	£645.75
Producers	$990/1040		$1060/1080

	July 10 1984	+ or −	Month ago
Oils			
Coconut (Phil)	$1150u		$1340
Groundnut	‡		‡
Linseed Crude	‡		‡
Palm Malayan	$582z	−25	$685
Seeds			
Copra Phil	$800y	−20	$930
Soyabean (U.S.)	$285w		$310
Grains			
Barley Fut. Nov	£109.60		£106.50
Maize	£154.00	−0.5	£151.50
Wheat Fut. Nov	£110.10		£107.45
No 2 Hard Wint	‡		‡
Other commodities			
Cocoa ship't*	£1888	+75	£1980.5
Futures Sep	£1822.5	+75	£1916.5
Coffee Ft. Sep	£2239	−24.5	£2252.5
Cotton A Index	81.20c	−0.4	84.40c
Gas Oil Aug	$255.25	+1.75	$241
Rubber (kilo)	64p	+1.25	69p
Sugar (raw)	$97.5y	+1.25	$128.25
Woolt'ps 64s	468p kilo		475p kilo

‡ Unquoted. z Sept. w Aug. u Aug-Sept. y July-Aug. † per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

The gas oil market opened a dollar lower against New York then continued downwards with increased pressure on prices. A weak New York opening caused a further fall but this was short-lived and the market strengthened towards the close, reports Premier Man.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	27.70-27.80	−0.07
Dubai Fateh	27.55-27.60	—
Arab Heavy	26.70-26.80	—
North Sea (Forties)	28.30-28.60	−0.1
North Sea (Brent)	28.40-28.60	−0.1
African (Bonny Lt'ht)	28.40-28.70	−0.35

PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	267-271	−0.5
Gas Oil	229-233	−1.6
Heavy fuel oil	176-179	—

GAS OIL FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
July	251.75	−1.75	252.75-51.00
Aug	255.25	−1.25	256.00-54.50
Sept	239.25	−1.50	257.75-56.50
Oct	242.75	−1.75	245.25-42.50
Nov	246.25	−0.75	246.25-46.75
Dec	248.00	−1.00	248.00-47.00
Jan	248.00	−2.00	247.50
Feb	247.25	−2.25	—
March	242.75	−0.50	—

Turnover: 1,931 (512) lots of 100 tonnes.

GOLD MARKETS

Gold rose $5 to $344¼-345¼ on the London bullion market yesterday. It opened at $344½-345½ and was fixed at $346 in the morning and $344¾ in the afternoon. The metal touched a low of $343¼-344¼ and a high of $347-348.

In Paris the 12½ kilo bar was fixed at FFr 97,000 per kilo ($348.38 per ounce) in the afternoon, compared with FFr 96,600 ($347.16) in the morning and FFr 95,100 ($338.82) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,585 per kilo ($347.50 per ounce), against DM 30,700 ($336.21), and closed at $344-344½, compared with $338½-339½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $344.75 per ounce, against $343 previously.

In Zurich gold finished at $345-345½, compared with $340½-341½.

	July 10		July 9	
Gold Bullion (fine ounce)				
Close	$344¼-345¼	(£263-263¾)	$339½-340½	(£260½-261)
Opening	$344½-345½	(£263-263¾)	$339½-340	(£260½-261)
Morning fixing	$346	(£264.365)	$332.50	(£253.875)
Afternoon fixing	$344.25	(£263.068)	$338.50	(£257.944)
Gold and Platinum Coins July 10				
Krugrnd	$356¼-357	(£271¼-272¼)	King Sov	$82-94 (£63¼-64)
½ Krug	$183¼-184¼	(£140¼-140¾)	Victoria Sov	$82-94 (£63¼-64)
¼ Krug.	$93¾-94¼	(£71½-72)	French 20s	$63½-65½ (£49½-50½)
1/10 Krug.	$38¼-39	(£29¼-29¾)	50 Pesos Mex	$429-431 (£327¾-329¼)
Mapleleaf	$356 356¼	(£271¾-272¼)	100 Cor Aust	$339 342 (£250¼-261)
New Sov.	$81½ 82½	(£62¼-62¾)	$20 Eagles	$595-605 (£453¼-460¾)
½ New Sov.	$49¼-50¼	(£38 38½)	Noble Plat.	$356¼-362¼ (£274¼-277¼)

LONDON FUTURES

Month	Yest'day's close	+ or −	Business Done
	$ per troy ounce		
July	—	—	—
Aug	345.50-46.00	+5.85	349.00-45.50
Sep	353.50-54.40	+8.05	—
Oct	—	—	—
Dec	—	—	406.00
Feb	—	—	—
April	—	—	—

Turnover: 333 (512) lots of 100 troy ounces.

EUROPEAN MARKETS

Maize—(U.S. $ per tonne): U.S. three yellow July 165, Aug 157.50, Sept 150.75, Oct/Dec 138.75, Jan/Mar 146 sellers. Argentine Plate afloat 166, mid-June/mid-July 165, July 165, mid-July/mid-Aug 165 sellers.

Soyabeans—(U.S. $ per tonne): U.S. two yellow Gulfports Aug 277, Sept 276, Oct 266.40, Nov 266, Dec 269.40, Jan 273.20, Feb 277.50, Mar 281.20 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent July 195, Aug 186, Sept 191, Oct 193, Nov/Mar 200 sellers. Pellets Brazil afloat 180, July 183, Aug 185, Sept 190, Oct/Dec 203 sellers. Pellets Argentine June 176, July 178, Aug 180, Sept 186, Oct 192, Oct/Dec 198.50, sellers.

ROTTERDAM, July 10.

Wheat—(U.S. $ per tonne): U.S. two soft Red Winter Aug 152.50, Sept 154, Oct 156.50. U.S. two Northern Spring 14 per cent protein July 184.50, Aug 177, Sept 174, Oct 178.50, Nov 180.50. U.S. Northern Spring 15 per cent protein July 190, Aug 182.50, Sept 178, Oct 184.25, Nov 186.25. U.S. three hard Amber Durum July 184, Aug 182, Sept 179, Oct 183, Nov 186, mid-Nov/mid-Dec 189, April/May 195. Canadian one western Amber Durum, July 189, Aug 191, Sept 190, Oct/Nov 196, Nov/Dec 197.

PARIS, July 10.

Sugar—(FFr per tonne): Aug 1315/1330, Oct 1335/1340, Dec 1380/1400, March 1485/1486, May 1535/1550, Aug 1605/1630.

Cocoa—(FFr per 100 kg): July 2040 asked, Sept 2078/2080, Dec 1983/1986, March 1950 asked, May 1930 asked, July 2020 asked, Sept 2030 asked.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES posted good gains on the London Metal Exchange, boosted by the rally in precious metals and currency fluctuations. Copper touched £1,014, aided by short covering and persistent buying from one quarter, before closing at the late kerb at £1,012. Trade buying lifted Lead to £357 prior to a close of £356.5 while Zinc rose strongly to touch £654 before closing at £653.5 despite the cut in producer prices. Aluminium rallied from an initial £882 to end the day at £893.5 in the wake of the international stocks figures while sustained support buying by the buffer stock held Tin around the £9,595 level.

COPPER

	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	995-.5	+10.5	993.5-4.5	+15.5
3 months	1012-.5	+11	1013-.5	+14.5
Settlem't	995.5	+10.5	—	
Cathodes				
Cash	995-.6	+11	988.5-9	+15
3 months	1012.5-.3	+9	1015-.7	+14
Settlem't	996	+11.5	—	

Amalgamated Metal Trading reported that in the morning cash Higher Grade traded at £993, 89.50, three months £1,005, 4.50, 5, 5.50, 7, 7.50, 8, 8.50, 9, 9.50. Cathodes: Three months £1,012, 13. Kerb: High Grade: Three months £1,010, 11, 10.50. Afternoon: Higher Grade: Three months £1,010, 9.50, 10, 11, 11.50, 12, 13.50. Cathodes: Cash £998.50. Kerb: Higher Grade: Three months £1,014, 13.5, 13, 12. Turnover: 20,625 tonnes. U.S. Producers: 62-67 cents per pound.

TIN

	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grde	£	£	£	£
Cash	9490-5	+25.5	9505-15	+19
3 months	9480-1	+18.5	9465-5	+14
Settlem't	9495	+25	—	
Standard				
Cash	9445-50	+12.5	9465-70	+7.5
3 months	9385-90	+15.5	9395-8	−1
Settlem't	9450	+10	—	
Straits E.	$39.15	+.1	—	

Tin—Morning: Standard: Cash £9,460, 55, 50, three months £9,395, 90, 86. High Grade: Cash £9,490, three months £9,450. Kerb: Standard: Three months £9,390. High Grade: Three months £9,450. Afternoon: Standard: Three months £9,400, 9,395, 9,400. High Grade: Three months £9,465, 60, 65. Kerb: Standard: Three months £9,395, 92. High Grade: Three months £9,460, 55, 60. Turnover: 3,465 tonnes.

LEAD

	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	358-9	+16.2	358-9	+15
3 months	353.5-4	+10.5	354-.5	+10.5
Settlem't	359	+16.5	—	

Lead—Morning: Cash £365, 66, 67, 61, 62, £2.50, 63, £3.50, 64. Kerb: Three months £364, 65, 66. Afternoon: Three months £367, 66, 64, 63, £3.50, 64, £4.50, 64. Kerb: Three months £364, 65, 66, 67, 66.50. Turnover: 20,200 tonnes. U.S. Spot: 30-34 cents a pound.

ZINC

	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	644-.5	+23	649-50	+27.5
3 months	648-.5	+20	653-4	+22
Settlem't	645	+23	—	

Zinc—Morning: Cash £637, 45, 48.50, 45, three months £642, 44, 45, 46, 48, 49, 50, 49, 48. Kerb: Three months £648, 49, 50, 51, 52. Afternoon: Three months £651, 52, 51, 50, 49.50, 49, 50, 51, 52, 53, 54. Kerb: Three months £54, 53, 52, 50, 49, 48, 47, 47.50, 47, 45, 44.50. Turnover: 22,100 tonnes. U.S. Prime Western: 50.50-50.75 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	872.5-3.5	−5.75	868.5-9.5	−3
3 months	896-.5	−4	891-2	−2.25

Aluminium—Morning: Three months £894, 93, 91, 92, 95, 96, 95.50, 96. Kerb: Three months £895.50, 96, 97, 96.50, 96, 97. Afternoon: Three months £891.50, 91, 90, 89.50, 89, 88, 89, 91, 93. Kerb: Three months £892, 92.50, 93, 94, 95, 94, 93, 92, 93, 94. Turnover: 28,690 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
Spot	3502-5	−18.5	3490-5	−24
3 months	3590-5	−20	3580-5	−18

Nickel—Morning: Cash £3,505, three months £3,590, 95, 96. Kerb: Three months £3,600, 3,595. Afternoon: Cash £3,490, three months £3,595, 90, 85, 80. Kerb: Three months £3,595, 85. Turnover: 1,668 tonnes.

SILVER

Silver was fixed 21.95p an ounce higher for spot delivery in the London bullion market yesterday at 575.15p. U.S. cent equivalents of the fixing levels were: spot 754c, up 29.8c; three-month 775.7c, up 31.1c; six-month 801.2c, up 32.3c and 12-month 855.2c, up 33.1c. The metal opened at 569-571½p (745-750c) and closed at 571½-575p (749-753c).

SILVER per troy oz	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	575.15p	+21.9	573p	+14
3 months	590.45p	+22.9	588.5p	+15.5
6 months	607.65p	+23.4	—	
12 months	642.05p	+27.9	—	

LME—Silver (2,000 oz contract): Cash 573p (559p); three months 588.5p (573p). Turnover: 0 (0).

Silver: 82 (65) lots of 10,000 ozs. Morning: Large 1st ring three months 590, 2nd ring cash 578, three months 592, 92.5. Kerb: untraded. Afternoon: large 1st ring three months 587.5. Kerb: untraded.

COCOA

Futures traded actively throughout the day and rallied sharply during the afternoon. Although producers and consumers were absent both beans and products trading featured in the second-hand market, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
July	1832-35	+64.5	1832-08
Sept	1822-23	+75.0	1824-65
Dec	1751-52	+60.0	1753-16
March	1732-33	+49.0	1733-97
May	1747-49	+44.0	1737-10
July	1760-62	+44.0	1748-24
Sept	1760-65	+45.5	—

Sales: 5,657 (3,576) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for July 10: 102.53 (99.18); five-day average for July 11: 101.27 (101.32).

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 3,200-3,250.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse: 3.85-4.10.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse: ingots 1.40-1.44, sticks 1.41-1.45.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse: 10.85-11.05.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse: 297-305.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse: 3.65-3.75.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse: 8.05-10.70.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO₃, cif 82-86.

VANADIUM: European free market, min. 98 per cent V₂O₅ other sources, $ per pound V₂O₅, cif 2.42-2.50.

Producer list price for selected metals as recorded in Metal Bulletin.

ALUMINIUM: World: virgin ingots Alcan, min. 99.5 per cent, $ per tonne, cif Hong Kong and Rotterdam: 1,760.

BISMUTH: UK: MCP-Peko, 99.99 per cent, $ per pound, tonne lots, ex-warehouse: 4.00.

COBALT: World, Zaire: Sozacom, $ per pound: 12.50.

NICKEL: World, Inco, melting grade, $ per pound, cif Far East America, delivered rest of world: 3.20.

URANIUM: Nuexco exchange value, $ per pound U₃O₈: 17.75.

VANADIUM: Highveld fused min. 98 per cent V₂O₅, $ per pound V₂O₅, cif 2.41.

ZINC: GOB producer basis, $ per tonne: 1,404.

COFFEE

In quiet conditions the market traded £3-£13 lower on early commission house selling, reports Drexel Burnham Lambert. Dealer buying encouraged a slight recovery but further pressure extended losses as New York opened easier than expected. As support gathered strength values consolidated in a tight range.

COFFEE	Yesterd'ys Close	+ or −	Business Done
July	2213-15	−15.0	2225-10
Sept	2238-40	−24.5	2260-35
Nov	2263-66	−24.5	2278-63
January	2305-08	−23.5	2317-10
March	2100-02	−16.5	2110-00
May	2056-60	−19.5	2065-60
July	2020-40	−15.0	—

Sales: 1,944 (1,905) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for July 9: Comp. daily 1979 143.04 (143.76); 15-day average 143.73 (143.92).

GRAINS

The markets remained very quiet with uncertainty over the dock strike. Barley eased on concern over harvest movement, reports Muirpace.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yesterd's close	+ or −
Sept	108.20	—	106.55	−0.40
Nov	111.10	—	109.60	−0.55
Jan	114.20	—	112.80	−0.25
Mar	116.95	+0.05	115.20	−0.25
May	119.85	+0.15	117.80	−0.25

Business done—Wheat: Sept 108.20-8.00, Nov 111.10-1.05, Jan 114.25-4.20, Mar 116.90-6.85, May 119.80-9.80. Sales: 106 lots of 10 tonnes. Barley: Sept 106.60-6.55, Nov 109.70-9.60, Jan 112.75 only, Mar 115.20 only. May untraded. Sales: 57 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: S West 118.60, W Mids 123.30. The UK monetary coefficient for the week beginning Monday July 16 is expected to remain unchanged.

LONDON GRAINS — Wheat: U.S. Dark Northern Spring No 1 14 per cent Aug 146, Sept 144, Oct 147 trans shipment East Coast. English feed fob Oct/Dec 115.50, Jan/March 119.50, April/June 124 sellers East Coast. Maize: U.S. No 3 Yellow/French July 154 East Coast. Barley: English feed fob July/Aug 110.50, Aug 109, Sept 110 sellers East Coast. Rest unquoted.

PIGMEAT

A lacklustre day saw values barely hold the previous day's levels, with low volume creating a very narrow range, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
Aug	115.3	115.3	115.2
Oct	119.7	119.7	—
Nov	121.1	121.0	121.1-121.0
Feb	117.9	117.9	—
April	118.2	118.3	—
June	117.5	117.3	—

Sales: 13 (55) lots of 50 carcases 3,250 kilos.

POTATOES

Insufficient overnight rain and unsubstantiated rumours of a partial irrigation ban in some growing areas prompted further strong gains, reports Coley and Harper.

Month	Yesterdy's close	Previous close	Business Done
	£ per tonne		
Nov	101.00	90.90	101.50-98.0
Feb	110.80	99.00	112.0-107.5
April	135.00	121.50	135.5-121.0
May	142.10	128.10	142.5-128.5
Nov	76.00	77.50	—

Sales: 1,976 (1,225) lots of 40 tonnes.

RUBBER

FUTURES — Close (buyer, seller, business). RSS No 1. £ per tonne. Aug 685, 700, nil; Sept 675, 700, nil; Oct 685, 700, nil; Nov 705, 710, 705; Dec 710, 718, nil; Jan 730, 739, nil; Feb 740, 744, 742; March 750, 754, nil; April 755, 765, nil; 1984 Oct/Dec 705, 708, 705-698; 1985 Jan/March 740, 742, 743-738; 1985 April/June 768, 775, nil. Sales: 8 (3) lots of 5 tonnes; 16 (6) lots of 15 tonnes.

PHYSICALS — The London market opened about unchanged, attracted some buying interest throughout the day and closed on a steadier note, reports Lewis and Peat. Closing prices (buyers). spot 64.00p (62.75p); Aug 75.50p (72.75p); Sept 75.50p (73.50p). The Kuala Lumpur August fob price form RSS No. 1 was 209.5 (205.0) cents a kg and for SMR 20 was 198.5 (197.0).

SOYABEAN MEAL

	Yestday's close	+ or −	Business Done
	£ per tonne		
August	134.50-37.90	−1.05	—
October	141.00-41.40	+0.60	142.50-41.50
Dec	147.20-48.00	−0.15	—
Feb	152.00-55.50	−0.50	154.50-53.50
Apr	151.80-54.50	−0.60	154.50
June	152.00-54.80	−1.50	—
August	152.00-56.00	−1.75	—

Sales: 35 (33) lots of 100 tonnes, 10 (nil) lots of 20 tonnes.

INDICES

FINANCIAL TIMES

July 9	July 6	M'th ago	Year ago
296.46	297.47	305.75	274.14

(Base: July 1 1952=100)

REUTERS

July 10	July 9	M'th ago	Year ago
1904.5	1947.7	1947.7	1848.8

(Base: September 18 1931=100)

MOODY'S

July 10	July 6	M'th ago	Year ago
1037.1	1034.5	1068.6	1054.7

(Base: December 31 1974 = 100)

DOW JONES

Dow Jones	July 10	July 6	Month ago	Year ago
Spot	132.64	132.15	138.58	142.87
Fut	130.7	129.71	138.31	146.79

(Base: December 31 1974 = 100)

SUGAR

LONDON DAILY PRICE—Raw sugar £97.50 ($127.50), up £1.25 (up $1.50), a tonne for July-August delivery. White sugar $145.50, down $2.00.

Rumours that India was seeking to purchase a further 200,000 tonnes lifted prices $3.00 over the day, reports C. Czarnikow.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	134.60-34.80	131.20-31.40	135.20-31.20
Oct	141.60-41.80	137.80-38.00	142.20-38.00
Dec	149.40-49.60	146.20-46.00	150.00-47.60
Mar	164.60-64.80	160.20-60.40	165.40-60.60
May	171.80-71.80	167.00-67.80	172.00-67.50
Aug	179.40-80.00	174.60-75.40	178.00-76.00
Oct	188.00-88.40	186.40-84.00	188.00-85.00

Sales: No. 6 4,768 (2,831) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £207.00 (same) a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices for July 9: Daily price 4.69 (4.71); 15-day average 5.11 (5.17).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). Aug 457, 461, 454-453; Oct 469, 470, 468-465; Dec 473, 476, 477-470; Jan 475, 477, 479-470; March 487, 488, 491-484; May 496, 498, 499-493; Aug 509, 513 514-508; Oct 509, 513, 515-507; Dec 509, 512, 513-508; Jan 509, 515, 514-508. Sales: 376.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 567.0, 568.5, 569.0-565.0; Oct 570.0, 572.0, 572.0; Dec 574.0, 574.5, 574.0; March 584.0, 585.0, 585.0; May 591.0, 593.5, untraded; July 602.0, 604.5, untraded; Oct 586.0, 595.5, untraded; Dec 592.0, 599.5, untraded. Sales: 15.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 45 tonnes. Minor contracts were under review but support was mentioned in North and South American styles.

HIDES

HIDES—Birmingham (Manchester). Second clears. Ox: 31-35.5 kg, 103.5p a kg (99.0p); 26-30.5 kg 114.2p a kg (108.2p): 22-25.5 kg, 117.0p a kg (112.4p). Cows: 25.5 kg, 118.5p a kg (114.5p).

JUTE

† Antwerp BWC/BTC $556, BWD/BTD $546; c and f Dundee July ex-India 40 inch 10 oz £20.97, 40 inch 7.5 oz £15.46; B Twills £62.56.

JUTE—C and F Dundee Aug/Sept, BWC/BTC $555, BWD/BTD $545; c and f [illegible]

AMERICAN MARKETS

NEW YORK, July 10.

PRECIOUS METALS opened steady and rallied but, pressured by heavy local selling, retreated sharply into the close, reports Heinold Commodities. Copper prices were steady on bargain hunting which offset the selling pressure of arbitragers. Aluminium prices came under heavy pressure from arbitrage selling and closed sharply lower as trade withdrew its support. Heating oil prices rallied on expectations that Opec countries would attempt to stabilise the crude markets. Sugar prices were sharply higher on major short-covering encountering only few selling offers. Cocoa prices were moderately higher on reports of continued quality problems in new crop marketings in Brazil. Coffee prices were again lower as the threat of cold temperatures was being minimised by the trade. Cotton prices were lower on indications of a weaker demand for finished product and good progress of the new crop reported by the Government. Soyabeans reversed their pattern of the previous day and finished at or near limit-down

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	52.10	—	—	52.85
August	52.50	—	—	53.55
Sept	53.10	53.90	52.90	53.95
Dec	54.75	55.40	54.70	55.55
Jan	55.35	—	—	56.15
March	56.50	—	—	57.30
May	57.65	—	—	58.45
July	58.80	—	—	59.60
Sept	59.95	—	—	60.75
Dec	61.55	—	—	62.35

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2175	2176	2125	2135
Sept	2220	2250	2191	2181
Dec	2165	2188	2142	2142
March	2165	2174	2133	2140
May	2165	2166	2148	2145
July	2180	2180	2160	2163
Sept	2185	2170	2170	2190

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	149.13	49.50	48.75	49.50
Sept	142.32	42.50	41.55	42.52
Dec	139.83	40.00	39.15	40.14
March	138.25	38.30	37.75	38.78
May	136.63	37.25	36.75	37.13
July	136.00	36.75	35.50	37.05
Sept	134.75	35.50	36.00	35.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	57.85	58.05	57.60	57.70
August	57.95	—	—	57.95
Sept	58.60	59.25	58.45	58.60
Dec	60.50	61.15	60.40	60.55
Jan	61.15	61.25	61.25	61.20
March	62.40	63.15	62.40	62.46
May	63.75	64.35	63.80	63.80
July	65.05	65.50	65.10	65.10
Sept	66.35	66.30	66.20	66.40
Dec	68.35	68.30	68.30	68.40

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	72.51	73.25	72.20	73.43
Dec	71.77	72.28	71.56	72.44
March	73.50	73.83	73.30	74.15
May	74.30	—	—	74.90
July	—	—	—	75.25
Oct	73.50	—	—	73.75

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	29.45	29.50	29.38	29.47
Sept	29.65	29.70	29.52	29.62
Oct	29.87	29.87	29.72	29.80
Nov	29.99	30.02	29.90	29.96
Dec	30.15	30.15	30.01	30.10
Jan	30.15	30.15	30.05	30.16
Feb	29.98	—	—	30.04
March	29.98	—	—	30.04
April	29.98	30.00	29.99	30.04
May	29.98	30.00	30.00	30.00

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	343.5	348.0	345.5	347.8
August	345.3	351.0	343.5	349.8
Sept	348.7	349.5	349.5	353.2
Oct	352.2	358.0	360.3	356.7
Dec	359.4	365.5	357.5	364.2
Feb	366.8	371.3	364.7	371.7
April	374.3	379.0	375.5	379.3
June	382.3	386.5	382.0	387.4
August	390.8	395.0	391.2	395.9
Oct	399.4	—	—	404.6
Dec	408.1	414.0	407.5	413.4
Feb	417.0	420.0	420.0	422.4
April	426.0	428.0	428.0	431.6

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
August	77.20	77.80	76.20	76.55
Sept	78.05	78.40	77.15	77.54
Oct	79.20	79.50	78.35	78.62
Nov	80.45	80.50	79.65	79.80
Dec	81.75	81.85	81.10	81.20
Jan	82.25	82.25	82.25	81.70
Feb	82.00	—	—	80.95
March	79.00	—	—	78.95
April	—	—	—	76.95

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	175.35	76.40	75.10	76.40
Sept	169.25	69.80	68.10	69.60
Nov	165.75	66.25	65.50	66.50
Jan	165.50	66.00	64.95	66.50
March	166.00	66.00	65.80	66.30
Sept	166.00	—	—	66.00
Nov	165.75	—	—	66.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	350.5	352.5	349.9	351.7
Oct	360.0	363.5	357.0	361.2
Jan	369.2	372.0	367.1	370.4
April	378.5	381.0	378.0	379.7
July	388.1	387.5	387.5	389.3
Oct	391.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	745.3	760.0	745.0	764.3
August	750.0	753.0	753.0	769.5
Sept	758.0	779.0	754.0	777.5
Dec	781.5	803.0	778.0	801.5
Jan	789.5	807.5	801.0	809.8
March	805.8	825.0	803.0	826.5
May	823.3	835.0	821.0	844.5
July	841.3	869.0	847.0	863.0
Sept	860.8	878.0	880.0	883.0
Dec	892.3	900.0	898.0	915.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Sept	5.10	5.10	4.92	4.90
Oct	5.28	5.29	5.12	5.08
Jan	5.79	5.79	5.55	5.51
March	6.32	6.33	6.17	6.12
May	6.64	6.64	6.50	6.44
July	6.93	6.94	6.85	6.75
Sept	7.13	7.10	7.10	6.90
Oct	7.40	7.38	7.22	7.17

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	65.05	65.60	64.92	65.37
Oct	63.85	64.25	63.72	64.12
Dec	64.70	65.15	64.60	64.92
Feb	64.95	65.20	64.80	65.10
April	65.65	66.00	65.65	65.85
June	66.40	66.92	66.30	66.70

LIVE HOGS 30,000lb, cents/lb

	Close	High	Low	Prev
July	54.85	55.70	54.60	55.50
August	54.40	54.85	54.00	54.67
Oct	51.52	51.90	50.90	51.65
Dec	52.77	53.15	52.35	52.95
Feb	53.95	54.70	53.66	54.55
April	50.10	50.65	50.05	50.50
June	53.40	53.60	53.25	53.70
July	54.70	54.90	54.30	55.00
August	53.75	53.75	53.40	54.30

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	349.4	353.2	346.6	348.4
Sept	314.6	318.6	314.4	319.2
Dec	294.2	299.0	294.0	300.6
March	304.0	309.0	303.6	310.4
May	310.4	316.0	310.4	317.2
July	313.0	317.4	313.0	319.6

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	58.50	60.27	58.27	60.27
August	56.65	58.30	56.30	58.17
Feb	70.25	70.60	69.40	70.17
March	69.60	69.85	68.85	69.50
May	70.90	71.20	70.20	70.82
July	71.97	72.00	71.60	72.35
August	69.75	69.75	69.75	70.00

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	669.2	688.0	664.0	691.2
August	667.4	688.0	663.4	692.0
Sept	656.2	679.0	656.2	686.2
Nov	649.0	671.0	649.0	679.0
Jan	662.4	682.0	662.4	692.4
March	676.2	696.0	676.2	706.2
May	686.4	706.0	686.4	716.4
July	695.0	716.0	695.0	725.0
August	693.0	714.0	693.0	723.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	163.5	168.5	163.5	166.9
August	166.2	170.4	166.0	171.9
Sept	169.1	173.5	168.8	174.8
Oct	170.1	175.0	170.0	176.2
Dec	174.2	180.0	173.6	180.7
Jan	176.8	181.0	176.8	183.2
March	180.0	184.5	180.0	185.0
May	182.5	188.0	182.5	188.0
July	182.3	—	—	190.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	29.55	30.65	29.40	30.17
August	27.92	28.80	27.92	28.92
Sept	26.90	27.80	26.90	27.90
Oct	25.88	26.70	25.88	26.88
Dec	24.90	25.85	24.90	25.90
Jan	24.93	25.90	24.93	25.93
March	24.98	25.95	24.98	25.95
May	25.20	26.20	25.20	26.20
July	25.25	26.20	25.25	26.20
August	25.20	25.50	25.20	—

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	346.4	347.6	345.4	347.0
Sept	351.4	352.4	351.0	353.0
Dec	365.0	366.0	364.6	366.6
March	373.4	375.6	373.4	376.2
May	376.2	377.6	376.2	379.6
July	361.0	362.4	361.0	363.0

SPOT PRICES—Chicago loose lard 27.00 (same) cents per pound. New York tin 570.0-78.0 (572.0-74.0) cents per pound. Handy and Herman silver bullion 750.00 (727.5) cents per troy ounce.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling slightly weaker

Sterling slipped to its lowest level since 1976 on a trade weighted basis yesterday. Its index finished at 77.2, down from 77.6 on Monday, having stood at 77.2 at noon and 77.3 in the mornig. It finished some way above the day's lows, however, attracting some support as fears rose of a rise in UK clearing bank base rates.

The call for higher rates was underlined by yesterday's disappointing UK money supply figures and interbank rates were already discounting a rise in base rates from the current level of 10 per cent to 10½-11 per cent. This helped to sustain the pound at its lower levels although the relative strength of the dollar and strike action by miners and dock workers inhibited the extent of any recovery.

The pound recovered to close at $1.3095 against the dollar up from a day's low of $1.3050 and Monday's close of $1.3065. It was weaker against hte D-mark however at DM 3.6935, its lowest level for 15 months and down from DM 3.7050 on Monday. It was also weaker against the French franc at FFr 11.3525 from FFr 11.3675 but was marginally firmer in terms of the Swiss franc at SwFr 3.1240 from SwFr 3.1200 and Y316.30 compared with Y316.25.

The dollar finished the day on a slightly softer note, having touched record levels earlier in the week. It remained underpinned by fears of higher interest rates however. It closed at DM 2.8235 from DM 2.895 and SwFr 2.3855 compared with SwFr 2.3920. It was also lower against the yen at Y241.55 from Y242.60 and FFr 8.67 compared with FFr 8.7175. On Bank of England figures the dollar's trade weighted index fell to 136.1 from 136.4.

D-MARK — Trading range against the dollar in 1984 is 2.8425 to 2.5535. June average 2.7393. Trade-weighted index 124.7 against 123.3 six months ago.

The D-mark was quite firm at the Frankfurt fixing, gaining ground against the dollar, sterling, Swiss franc and Japanese yen. The Bundesbank sold $53m at the fixing, compared with $72.3m on Monday, as the dollar fell to DM 2.8251 from DM 2.8445. The U.S. currency remained supported by fears of higher U.S. interest rates, and recovered from a low of around DM 2.8095 touched in New York. Traders pointed to growing conviction that the Federal Reserve will increase its discount rate to 9½ per cent from 9 per cent in the near future, and to the possibility the Federal Open Market Committee meeting next week will tighten U.S. monetary policy. On the other hand there is some expectation that Friday's announcement of U.S. June producer prices, industrial production, and retail sales, will indicate economic growth has slackened.

Sterling fell to DM 3.6970 from DM 3.7250; the Swiss franc to DM 1.1863 from DM 1.1887; and the Japanese yen to DM 11.707 per 1,000 yen from DM 11.74.

Within the EMS the French franc rose to DM 32.590 per 100 francs from DM 32.550, but the guilder fell to DM 88.615 per 100 guilders from DM 88.650, and the Belgian franc to DM 4.9200 per 100 francs from DM 4.9240.

ITALIAN LIRA — Trading range against the dollar in 1984 is 1,741.50 to 1,591.00. June average 1,693.60. Trade-weighted index 48.3 against 48.6 six months ago.

The lira showed mixed changes at the Milan fixing, improving against the dollar and sterling, but losing ground to several of its EMS partners, including the D-mark and French franc. The dollar fell to L1,733.75 from the record fixing level of L1,745 on Monday, and sterling weakened to L2,271.10 from L2,282.20. Within the EMS the D-mark rose to L613.74 from L613.40, and the French franc to L199.94 from L199.89.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.2978	+0.88	+0.91	±1.5447
Danish Krone ...	8.14104	8.16234	+0.26	+0.29	±1.6425
German D-Mark	2.24184	2.23101	−0.48	−0.45	±1.0642
French Franc ...	6.87456	6.84594	−0.42	−0.39	±1.4052
Dutch Guilder ...	2.52595	2.51784	−0.32	−0.29	±1.4964
Irish Punt	0.72569	0.728593	+0.40	+0.43	±1.6699
Italian Lira	1403.49	1368.16	−2.52	−2.52	±4.1505

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	July 10	Prev. close
Spot	1.3080-3090	$1.3145-3155
1 month	0.0-80.12 dis	0.14-0.17 dis
3 months	0.23-0.28 dis	0.44-0.49 dis
12 months	1.85-2.00 dis	2.65 2.80 dis

£ forward rates are quoted in U.S. cents discount. * New York closed

THE POUND SPOT AND FORWARD

July 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3050-1.3130	1.3090-1.3100	0.08-0.12c dis	−0.92	0.25-0.30dis	−0.84
Canada	1.7315-1.7435	1.7370-1.7380	0.15-0.25c dis	−1.38	0.50-0.62dis	−1.29
Nethlnd	4.16½-4.19	4.16¾-4.17¾	1⅞-1½c pm	4.85	5¼-4⅞ pm	4.85
Belgium	74.95-76.45	76.35-76.45	par-5c dis	−0.40	4 pm-4 dis	—
Denmark	13.52-13.59	13.55-13.56	8.55-7.45ore pm	7.04	10.50-9.30 pm	2.90
Ireland	1.1915-1.2125	1.2095-1.2105	0.08-0.21p dis	−1.44	0.39-0.58dis	−1.57
W. Ger.	3.6885-3.7125	3.6885-3.6985	1⅞-1½pf pm	5.68	5⅛-4⅞ pm	5.41
Portugal	194.50-202.15	195.00-201.90	10-155c dis	−5.00	40-445 dis	−5.00
Spain	209.85-210.80	210.20-210.40	40-70c dis	−3.14	140-185 dis	−3.09
Italy	2263¼-2279	2276-2278	8-10 lire dis	−4.74	24-27 dis	−4.48
Norway	10.64-10.69¾	10.67½-10.68½	0.90-1.90ore dis	−1.57	2.40-3.45dis	−1.09
France	11.32¾-11.39¾	11.34¾-11.35¾	¼-⅞c dis	−0.46	1-2⅞ dis	−0.55
Sweden	10.80-10.85	10.83½-10.84½	1.70-2.70ore dis	−2.43	4.30-5.40dis	−1.79
Japan	315.20-317.10	315.80-316.80	1.41-1.27y pm	5.08	4.03-3.85 pm	4.98
Austria	25.85-26.05	25.95-26.00	10¼-8¼gro pm	4.27	31¼-26½ pm	4.45
Switz	3.1050-3.1325	3.1190-3.1290	1⅞-1½c pm	6.48	5⅛-5 pm	6.64

Belgian rate is for convertible francs. Financial franc 76.00-76.10. Six-month forward dollar 0.75-0.85c dis. 12-month 2.15-2.30c dis.

THE DOLLAR SPOT AND FORWARD

Belgian rate is for convertible francs. Financial franc 58.05-58.10.

July 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.3050-1.3130	1.3090-1.3100	0.08-0.12c dis	−0.92	0.25-0.30dis	−0.84
Ireland†	1.0800-1.0850	1.0835-1.0845	0.08-0.01c pm	0.50	0.20-0.10 pm	0.55
Canada	1.3265-1.3285	1.3275-1.3280	0.03-0.05c dis	−0.36	0.11-0.14dis	−0.38
Nethlnd	3.1855-3.1980	3.1855-3.1875	1.56-1.53c pm	5.82	4.60-4.56 pm	5.75
Belgium	67.35-67.65	67.41-67.46	3-1¼c pm	0.47	12-9 pm	0.73
Denmark	10.33¼-10.34¾	10.33¼-10.33¾	¼-¼ore pm	0.58	3½-3 pm	1.28
W. Ger.	2.8170-2.8355	2.8230-2.8240	1.55-1.50pf pm	6.46	4.50-4.45 pm	6.32
Portugal	147.00-154.00	147.00-152.00	par-100c dis	−3.95	par-300 dis	−3.95
Spain	160.20-160.65	160.40-160.50	20-35c dis	−2.05	80-100 dis	−2.24
Italy	1732-1737	1733-1734	6½-7 lire dis	−4.66	16½-17½ dis	−3.91
Norway	8.14¼-8.15½	8.14¼-8.14¾	¼-⅞ore dis	−0.74	0.40-0.90dis	−0.32
France	8.6470-8.6990	8.6685-8.6725	0.35-0.15c pm	0.34	0.75-0.35 pm	0.25
Sweden	8.25¼-8.28¾	8.26¼-8.26¾	0.85-1.35ore dis	−1.60	1.85-2.35dis	−1.01
Japan	240.60-241.75	241.50-241.60	1.23-1.19y pm	6.01	3.56-3.51 pm	5.84
Austria	19.81-19.87½	19.84½-19.85½	9.20-8.70gro pm	5.40	26¼-24¾ pm	5.18
Switz	2.3755-2.3900	2.3850-2.3860	1.46-1.42c pm	7.24	4.42-4.38 pm	7.37

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

OTHER CURRENCIES

July 10	£	$		£ Note Rates
Argentina Peso	69.46-69.59	53.16-53.22	Austria	25.85-26.15
Australia Dollar	1.5720-1.5740	1.1990-1.2000	Belgium	775.65-76.45
Brazil Cruzeiro	2,312.5-2,326.0	1,770-1,779	Denmark	13.47-13.51
Finland Markka	7.8310-7.8595	5.9900-5.9950	France	11.30-11.42
Greek Drachma	146.00-146.40	111.45-111.75	Germany	3.68¼-3.72¼
Hong Kong Dollar	10.24¼-10.25¾	7.8375-7.8475	Italy	2260-2290
Iran Rial	118.20*	90.40*	Japan	316-320
Kuwait Dinar (KD)	0.39025-0.38899	0.2985-0.29885	Netherlands	4.15½-4.19½
Luxembourg Fr.	75.35-75.45	57.41 57.46	Norway	10.61-10.72
Malaysia Dollar	3.0450-3.0525	2.3305-2.3320	Portugal	191-199
New Zealand Dlr.	2.1045-2.1095	1.6070-1.6095	Spain	202½-211
Saudi Arab. Riyal	4.5890-4.5925	3.5100-3.5110	Sweden	10.77-10.88
Singapore Dollar	2.8025-2.8100	2.1445-2.1460	Switzerland	3.10¼-3.13¼
Sth African Rand	1.9385-1.9425	1.4790-1.4835	United States	1.30-1.32
U.A.E. Dirham	4.8010-4.8045	3.6720-3.6730	Yugoslavia	186-194

* Selling rates.

CURRENCY MOVEMENTS

July 10	Bank of England Index	Morgan Guaranty Changes%
Sterling	77.2	−13.4
U.S. dollar	136.1	+23.8
Canadian dollar	87.8	−5.0
Austrian schilling	115.8	+4.2
Belgian franc	89.9	−10.8
Danish Kroner	77.8	−6.1
Deutsche mark	124.7	+8.0
Swiss franc	142.4	+8.4
Guilder	114.0	+4.3
French franc	65.8	−15.1
Lira	48.5	−12.6
Yen	154.3	+11.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 10	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.781304	0.603129
U.S. $	9	1.02179	0.790159
Canadian $	12.76	*	1.04835
Austria Sch.	4½	20.2611	15.6451
Belgian Fr	11	58.6099	45.2978
Danish Kr.	7	10.5699	8.16234
D'mark	4½	2.88696	2.23101
Guilder	5	3.25542	2.51784
French Fr.	9½	8.84870	6.84594
Lira	15½	1771.53	1368.16
Yen	5	246.609	190.468
Norwgn Kr.	8	8.33768	6.43347
Spanish Pta.	—	163.947	126.662
Swedish Kr.	9	8.44918	6.52790
Swiss Fr	4½	2.43390	1.87860
Greek Dr'ch	20½	113.889	87.9921
Irish Punt	12¾	0.942176	0.728593

*C$/SDR rate for July 9: 1.35448.

EXCHANGE CROSS RATES

July 10	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.310	3.694	316.3	11.353	3.124	4.173	2277.	1.738	75.40
U.S. Dollar	0.764	1.	2.824	241.6	8.670	2.386	3.187	1734.	1.328	57.44
Deutschemark	0.271	0.355	1.	85.64	3.074	0.846	1.130	616.5	0.470	20.41
Japanese Yen 1,000	3.162	4.140	11.68	1000.	35.89	9.877	13.19	7199.	5.493	238.4
French Franc 10	0.881	1.153	3.253	278.6	10.	2.752	3.675	2006	1.530	66.42
Swiss Franc	0.320	0.419	1.182	101.2	3.634	1.	1.336	728.9	0.556	24.14
Dutch Guilder	0.240	0.314	0.885	75.81	2.721	0.749	1.	545.7	0.416	18.07
Italian Lira 1,000	0.439	0.575	1.622	138.9	4.986	1.372	1.832	1000	0.765	33.11
Canadian Dollar	0.576	0.754	2.126	182.0	6.534	1.798	2.401	1311.	1.	43.40
Belgian Franc 100	1.32	1.737	4.899	419.5	15.06	4.143	5.534	3020.	2.304	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

July 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9¼-9½	11⅞-11⅝	11⅜-11¾	6¼-6⅞	5¾-6	5¼-5⅜	10¾-11	16-17	10¾-11¼	10¼-11¼	6-6⅛	11¼-11¾
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 11⅝-11¾ per cent; seven days' 11⅝-11¾ per cent; one month 11⅞-12 per cent; three months 12¼-12⅜ per cent; six months 12¾-12⅞ per cent; one year 13-13⅛ per cent. Long-term Eurodollars: two years 14-14¼ per cent; three years 14¼-14½ per cent; four years 14¼-14½ per cent; five years 14¼-14½ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Gilts weaker

Long term gilt futures weakened on the London International Financial Futures Exchange yesterday. The contract for September delivery opened slightly firmer at 99-10 following gains in U.S. Treasury bond prices overnight, but then declined as sterling stayed weak on the foreign exchanges, and London money market interest rates moved up on speculation that another rise in clearing bank base rates may be imminent. The market was also concerned about the implications of a long dock strike in support of the miners, and finally was disappointed in the mid-June money supply figures.

After touching apeak of 99-24 the September contract breached significant support levels, falling to a low of 98-07.

The increase of only ½ per cent in some Bank of England money market intervention rates before lunch led to hopes the money supply figures would be fairly encouraging, but the rise of 2 per cent in sterling M3 was above expectations, leaving growth during the last four months well above the official target.

A statement from the Prime Minister that the monetary situation is satisfactory had little or no impact, and September gilts closed weak at 98-14, compared with 99-03 on Monday, as prices in the cash market showed falls of ½ to ¾ point.

Three-month sterling deposits suffered similar pressures in active trading. September delivery opened at 88.85, and closed at 88.86, compared with 89.24 previously.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	87.46	87.53	87.42	87.36
Dec	86.81	86.90	86.78	86.70
March	86.43	86.50	86.43	86.32
June	86.13	—	—	86.03
Sept	85.93	—	—	85.80

Est volume 5,625 (3,306)
Previous day's open int 13,493 (13,566)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Sept	88.86	89.12	88.82	89.24
Dec	88.56	88.73	88.52	88.69
March*	88.26	88.28	88.23	88.28
June*	88.06	—	—	88.05
Sept*	—	—	—	—

Est Volume 3,991 (2,493)
Previous day's open int 9,403 (9,867
* £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Sept	98-14	99-24	98-07	99-03
Dec	97-24	97-29	97-24	98-13
March	97-08	—	—	97-29
June	96-25	—	—	97-13
Sept	98-30	—	—	99-19

Est volume 4,505 (3,774)
Previous day's open int 5,367 (5,149)
BMasis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 24 to 40 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3093	1.3142	1.3084	1.3120
Dec	1.3123	1.3192	1.3105	1.3180
March	1.3910	—	—	1.3252

Est volume 5,142 (1,386)
Previous day's open int 5,162 (5,945)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3567	0.3582	0.3565	0.3659
Dec	0.3623	—	—	0.3615

Est volume 49 (22)
Previous day's open int 340 (329)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4238	0.4265	0.4238	0.4237
Dec	0.4326	—	—	0.4321

Est. volume 16 (14)
Previous day's open int. 2,299 (2,295)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	62-07	62-18	62-05	61-12
Dec	61-21	—	—	60-26
March	61-07	—	—	60-10

Est. volume 870 (773)
Previous day's open int. 1,238 (1,442)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	100 90	102.85	100.85	102.80
Dec	100.85	100.85	100.85	102.75
March	101.00	—	—	103.00

Est. volume 724 (540)
Previous day's open int. 1,046 (940)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	—	—	—	0.4168
Dec	—	—	—	0.4234

Est. volume — (nil)
Previous day's open int. 222 (222)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	62-06	62-20	61-28	62-04
Dec	61-19	62-01	61-08	61-16
March	61-03	61-15	60-26	61-00
June	60-21	61-00	60-14	60-19
Sept	60-09	60-22	60-04	60-09
Dec	60-00	60-13	59-28	60-00
March	59-24	60-05	59-21	59-24
June	59-11	59-19	59-13	59-16

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	89.27	89.34	89.22	89.32
Dec	88.56	88.67	88.57	88.60
March	88.09	88.18	88.05	88.12
June	87.76	87.84	87.75	87.77
Sept	87.53	87.61	87.53	87.53
Dec	87.33	87.42	87.33	87.34
March	87.22	87.25	87.20	87.20
June	87.10	87.10	87.10	87.07

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	87.57	87.65	87.52	87.59
Dec	86.92	87.03	86.86	86.96
March	86.53	86.63	86.49	86.57
June	86.22	86.32	86.22	86.27

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	87.15	87.24	87.11	87.17
Dec	86.48	86.58	86.43	86.50
March	86.09	86.19	86.05	86.11
June	85.79	85.89	85.78	85.82
Sept	—	—	—	—
Dec	85.43	85.46	85.41	85.43

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	65-21	65-31	65-13	65-21
Dec	64-17	64-25	64-11	64-17
March	63-22	63-31	63-20	63-25
June	—	—	—	63-04
Sept	—	—	—	62-21
Dec	—	—	—	62-10

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.3095	1.3155	1.3065	1.3180
Dec	1.3135	1.3200	1.3100	1.3240
March	1.3220	1.3220	1.3180	1.3315

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MONEY MARKETS

UK rates firm on money supply and weak £

UK interest rates rose sharply yesterday on a higher than expected rise in UK money supply figures and sterling's continued weakness. The pressure on clearing banks to increase their base rates from the current level of 10 per cent intensified as interbank rates showed further rises. The Bank of England kept its dealing rates at an unchanged minimum of 10 per cent but extended bids up to 10½ per cent in bands 3 and 4.

Prime Minister Margaret Thatcher stressed that the domestic monetary situation was satisfactory despite the recent rise in money supply figures. There had previously been an emphasis placed on a bunching of PSBR at the early end of the financial year and that this would be balanced out at a later date but the market appeared to be in no mood for contemplating cautious long term optimism and rates rose accordingly.

At the same time the market voiced its concern that a rise to 11 per cent in base rates may still not be enough. Three-month interbank money fluctuated sharply, ranging between 11⅛ per cent and 11⅜ per cent compared with Monday's range of 10¾-11 per cent. Three-month eligible bank bills were bid at 11⅛ per cent from 10⅞ and this rate prevailed out to six months, indicating the market's current uncertainty. Overnight interbank money traded between a high of 9½ per cent and a low of 2 per cent.

The Bank of England forecast a shortage of around £150m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £165m and Exchequer transactions a further £100m. On the other hand there was a fall in the note circulation of £40m and the banks brought forward balances £60m above target.

The forecast was later revised to a shortage of around £300m and the Bank gave assistance in the morning of £324m. This comprised purchases of £1m of eligible bank bills in band 1 (15-33 days) at 10 per cent and £52m in band 3 (34-63 days) at 10-10⅛ per cent. In band 4 (64-91 days) it bought £58m of Treasury bills at 10 per cent and £203m of eligible bank bills at 10-10⅛ per cent. There was no further intervention in the afternoon.

In Tokyo the Bank of Japan sold Y500m of 60-day Treasury bills in order to mop up excess liquidity in the money market. Call money was quoted at 6.03125 per cent however, unchanged from Monday.

UK clearing banks' base lending rate 10 per cent (since July 9)

MONEY RATES

July 10	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	11	3-4	6⅛-6¼	6.03125	16¼-16⅝	7.60	11½-11¾
One month	5.75-5.90	11⅜-11½	4⅜-4½	6-6⅛	6.09375	16¼-16⅝	11½-11¾	12¼-12½
Two months	5.90-6.05	11⅛-11⅜	—	—	—	—	—	12½-12¾
Three months	6.00-6.15	11⅝-11⅞	4⅜-4¾	6⅜-6⅞	6.21875	16⅝-17	11⅝-11⅞	12¾-13
Six months	6.35-6.50	11⅞-11⅞	—	6⅛-6⅝	—	—	11⅞-12⅛	13-13¼
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	11¼	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

July 9 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	2-9½	8-9½	8¼-9¾	1-9½	—	—	—	—	—
2 days notice	—	—	9¾-9⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9 10	10-10¼	9⅞-10	9½	—	—	—	—	—
One month	11⅛-10⅞	10½-11⅛	11	10¾-10⅞	10	11⅛	10⅝	11⅛	10⅝	11¾
Two months	11¼-11	10⅞-11¼	11⅛	11¼	10	11⅛	10¾	11⅛	10¼	11¾
Three months	11⅛-11⅛	11⅛ 11⅝	11¼	11⅜	10	11⅛	10¾	11⅛	10⅞	11¾
Six months	11⅛-11⅛	11¼-11⅞	11⅝	—	—	—	—	11⅛	10⅞	11¾
Nine months	11⅞ 11⅛	11⅝-11⅞	—	—	—	—	—	—	—	—
One year	11⅞-11⅞	11⅝ 12	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	11¾-11½	—	10¾	11.5-11.6	9⅝-9⅞	9-9⅛
Two months	11¾-11½	—	11⅛	11.7-11.8	9⅞-10⅛	9⅛-9⅞
Three months	11⅞-11⅝	—	11¼	12.3-12.0	10⅛-10⅜	9⅛-9½
Six months	11¾-11¼	—	11⅛	12.80-12.90	10⅛-10⅛	9⅞-10
Nine months	12⅛-11⅞	—	11⅛	12.70-12.80	—	—
One year	12¼-11⅞	—	11⅛	13.3-13.4	11⅛-11⅝	10⅛-10½
Two years	—	11⅞	—	—	—	—
Three years	—	12⅛	—	—	—	—
Four years	—	12¼	—	—	—	—
Five years	—	12⅜	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of interest period June 6 to July 3 1984 (inclusive): 9.488 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9½ per cent from July 1 1984. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rate for sums at seven days' notice 6⅞-6¾ per cent. Treasury Bills: Average tender rate of discount 9.8062 per cent. Certificates of Tax Deposit (Series 8). Deposit of £100,000 and over held under one month 10½ per cent; one-three months 10⅝ per cent; three-six months 11⅛ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10⅛ per cent from July 10. Deposits held under Series 4-5 11½ per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	13
Broker loan rate	12¼-12½
Fed funds	11⅜
Fed funds at intervention	11⅜

Treasury Bills

One month	9.50
Two month	9.60
Three month	10.04
Six month	10.50
One year	10.90

Treasury Bonds

Two year	100⅛
Three year	98⅞
Four year	100⅞
Five year	101⅛
Seven year	101⅞
10 year	98⅞
30 year	100⅛

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING 11.00 a.m. July 10)

Three months U.S. dollars	
bid 12 1/16	offer 12 3/16

Six months U.S. dollars	
bid 12 11/16	offer 12 13/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

London clearing banks' balances

as at June 20 1984

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	17,594		−81	
UK private sector	56,566		+1,480	
UK public sector	1,336		+202	
Overseas residents	9,308		−129	
Certificates of deposit	7,228		+960	
		92,035		+2,431
of which: Sight		30,946		+733
Time (inc. CD's)		61,087		+1,698
Foreign currency deposits:				
UK monetary sector	17,072		+187	
Other UK residents	4,289		+117	
Overseas residents	42,320		−54	
Certificates of deposit	5,468		−669	
		69,140		−419
Total deposits		161,175		+2,012
Other liabilities*		21,449		+231
TOTAL LIABILITIES		182,624		+2,244
ASSETS				
Sterling				
Cash and balances with Bank of England		1,422		+72
Market loans:				
Discount houses	3,236		+428	
Other UK monetary sector	14,673		+373	
UK monetary sector CD's	2,381		+294	
Local authorities	954		−60	
Other	1,288		+14	
		23,032		+958
Bills:				
Treasury bills	86		−27	
Other bills	1,575		+490	
		1,662		+463
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,702		+6	
Other	4,069		+18	
		6,771		+24
Advances:				
UK private sector	61,409		+1,042	
UK public sector	360		+18	
Overseas residents	4,562		+34	
		66,331		+1,094
Other sterling assets*		10,370		+151
Foreign currencies				
Market loans:				
UK monetary sector	17,279		−190	
Certificates of deposit	675		+41	
Other	29,091		−347	
		47,044		−496
Bills		124		+6
Advances:				
UK private sector	5,480		+471	
UK public sector	732		+38	
Overseas residents	15,466		−371	
		21,679		+139
Other foreign currency assets*		4,189		−167
TOTAL ASSETS		182,624		+2,244
Acceptances		3,154		−93
Eligible liabilities		68,960		+1,550

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	161,175	+2,012	43,499	+542	30,036	+281	30,908	+242	52,202	+650	4,529	+198
ASSETS												
Cash and balances with Bank of England	1,422	+72	442	+32	203	−11	292	−10	420	+46	62	+13
Market loans:												
UK monetary sector	35,187	+610	9,949	+348	4,522	−49	4,236	+253	15,603	−7	827	+66
Other	34,889	−148	9,247	+183	7,833	+61	6,802	−220	9,874	−276	1,131	+1
Bills	1,786	+469	655	−43	527	+269	312	+57	259	+164	32	+21
British Government stocks	2,702	+6	753	−8	684	+4	587	−17	597	+25	80	+2
Advances	88,010	+1,233	24,252	+331	17,347	+125	17,580	+320	26,317	+463	2,513	−7

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL	Change	BARCLAYS	Change	LLOYDS	Change	MIDLAND	Change	NATIONAL WESTMINSTER	Change	WILLIAMS & GLYN'S	Change
ELIGIBLE LIABILITIES	68,960	+1,550	20,705	+206	13,857	+450	12,087	+267	20,246	+585	2,025	+41

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 10.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11¾ 94	100	88½	88⅝	+0⅛	+0⅝	13.99
All Nippon Airways 14 94	100	102¼	102¾	+0⅜	+0⅝	13.63
American Savings 12 89	125	97½	98	0	−0⅛	12.62
American Sav 12¼ 89	100	97⅝	98⅛	+0⅛	0	12.84
Australian Ind Dev 11 89	75	†91⅛	91⅝	+0⅜	0	13.61
Austria Rep 13⅝ 92	100	98½	98⅝	+0¼	+0¼	13.97
Beneficial O/S Fin 12 91	100	†88¼	88⅝	0	+0⅝	14.81
Citicorp O/S 11¾ 99	100	†92⅜	92⅞	−1	+0⅜	12.87
C.N.C.A. 13¼ 91	100	†95⅞	96⅛	+0⅜	+0⅞	14.15
Comsfed Int 12¾ 88	125	95¼	95¾	+0¼	+0⅜	13.88
Creditanstalt 13⅛ 91	100	98¼	98¾	+0⅜	+0½	13.45
D.N.C. 11¾ 91 WW	50	†88	88½	0	−0½	14.61
D.N.C. 11¾ 91 XW	50	†87½	88	0	0	14.74
Denmark Kingdom 12 91	100	90⅛	90⅝	+0⅜	+0½	14.29
Denmark Kingdom 13 91	100	95½	96	+0½	+0⅞	13.98
Digital Equip 11¾ 89	150	92¾	93¼	+0⅛	0	13.83
Dutch Mines 11⅞ 91	150	†88¼	88⅝	−0¼	0	14.10
E.D.C. 11⅛ 89	150	91½	92	+0⅜	+0⅜	13.68
E.I.B. 12½ 90	100	95¼	95¾	+0⅜	+0⅞	13.64
E.I.B. 12⅞ 94	100	95⅝	96⅛	+0½	+0¾	13.64
Eurofima 12½ 91	100	94¼	94¾	+0⅜	+0½	13.77
Ex-Im Bk Japan 13¼ 91	75	101¾	102¼	+0½	+0½	12.79
Florida Fed Sav 12⅞ 89	100	95⅝	96⅛	+0¼	−0⅛	13.56
Gen Elec Credit 0 98	600	24½	25	0	0	12.34
Gen Elec Credit 11 91 WW	200	92¾	93¼	+0⅝	+0⅞	12.59
Genossen Zentral 14 91	100	99	99½	+0¼	+0⅝	14.17
Gulf & Western 12⅞ 89	100	92	92½	+0¼	+0¼	14.47
I.I.I. 12 89	100	93⅞	94¼	+0⅜	+0¼	13.76
Indust Bk Japan 11½ 89	125	91⅞	92⅜	+0⅛	+0⅜	13.86
Indust Bk Japan 13⅞ 91	125	100⅛	100⅝	+0⅛	+0⅛	13.78
Int Paper O/S Fin 12 91	75	96¼	96¾	+0½	+0⅝	12.77
Japan Air Lines 12½ 94	70	93⅞	94⅛	0	−0⅜	13.10
L.T.C.B. 11⅛ 89	100	92⅛	92⅝	+0½	+0¾	14.15
Macy O/S 11¾ 91	100	91¼	91¾	+0⅛	+0⅜	13.76
Mitsui Trust Fin 12 91	100	90½	91	+0⅜	+0⅞	14.21
Montreal, City 12½ 91	70	94¼	94¾	0	−0¼	13.77
Morgan Guaranty 12¾ 89	150	93¼	93⅞	+0⅛	+0⅜	14.17
Nat Gasunie 11⅛ 91	75	†90¼	90⅝	+0¼	+0⅝	13.46
Newfoundland Prov 13 91	75	101	101½	−0⅛	−0⅜	12.68
Nippon Tele 11¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia Prv 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 11¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Province 12¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rockefeller Grp 13¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk of Can 11½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sand & Ind Bk 12 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears O/S Fin 11⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sec Pac O/S Fin 11¾ 89	75	†88½	89	0	0	15.13
Sec Pac O/S Fin 12 92	100	98⅝	99⅛	+0¼	+0½	14.04
S.E.K. 11½ 89	100	92½	93	+0½	+0¾	13.68
Shearson/Amex 12⅞ 94	100	90½	91	+0¼	+0¾	13.89
Statoil 12 88	100	96	96½	+0½	+0¾	13.28
Sumitomo Fin 12¾ 91	150	93½	93⅞	+0¼	+0⅞	14.38
Sweden Kingdom 12⅞ 89	200	95¼	95¾	+0½	+0⅞	13.72
Texas Insts Int 11⅞ 91	150	90½	91	+0¼	+0⅛	14.06
Tokai Asia 12¼ 91	100	†92	92½	+0½	+0⅜	14.09
World Bank 11⅞ 89	200	92⅞	92⅞	+0¼	+0⅜	13.60
Yasuda Tst&Fin 12⅞ 89	100	93⅝	94⅛	+0⅝	+0½	14.19

Average price change On day +0¼ on week +0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	99⅝	100⅜	+0⅛	+0⅛	7.44
Amca Int'l 8¼ 91	100	99⅞	100⅜	−0⅛	−0⅛	8.19
A.N.A.S. 8½ 91	150	99⅞	100⅜	−0⅛	−0¼	8.43
Austria Republic 7⅝ 94	200	96¾	97¼	+0⅛	0	8.07
Baxter Travenol 7¼ 94	200	97¼	98	0	0	7.80
Credit National 8⅛ 94	200	98⅝	99⅛	+0⅛	+0⅛	8.31
Degussa Int Fin 7½ 94	100	99	99½	−0¼	−0¼	7.58
E.E.C. 8 92	200	99½	100¼	+0⅛	+0⅛	8.01
E.I.B. 8 91	250	98⅝	99⅛	−0⅛	−0⅛	8.22
Escom 8 92	150	98½	99¼	0	−0⅛	8.19
Ferrovie Dello Stato 8 91	100	99⅛	99⅝	−0⅛	−0⅛	8.09
Finland Rep 7½ 91	150	96⅝	97⅛	+0⅛	+0⅛	7.91
Gould Int Fin 7⅝ 91	100	98¼	98¾	0	−0⅛	7.91
Int Standard Ele 7⅝ 90	100	100⅝	101⅛	−0⅛	−0⅛	7.16
Ireland 8¼ 92	150	97⅞	98⅜	+0⅛	0	8.45
Megal Fin 8¼ 94	150	99½	100¼	−0⅛	−0⅛	8.26
Mitsubishi Hvy 3½ 89WW	300	98⅞	99½	−0⅛	−0⅛	3.78
Mitsubishi Hvy 3½ 89XW	300	86⅞	87⅜	+0⅛	+0⅛	6.73
O.K.B. 7½ 88	100	98⅞	99⅜	0	+0⅛	7.65
Pepsico O/S Fin 7¼ 94	250	99¼	100	0	−0¼	7.38
Reynolds O/S Fin 7⅝ 94	125	99⅞	100⅜	−0⅛	+0⅛	7.45
Societe Cent Nuclear 8 91	100	97⅞	97⅞	0	0	8.46
Sth Africa Rep 8½ 91	200	100⅛	100⅝	−0⅛	−0⅛	8.39
World Bank 7¾ 89	100	99⅝	100⅛	−0⅛	0	7.73
World Bank 8 93	300	98¼	99¼	0	+0⅛	8.29
World Bank 8 94	200	98⅝	99⅛	−0⅛	−0⅛	8.14

Average price change On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Comm 5⅝ 96	60	†99½	98¾	0	+0½	5.17
Canada 5¼ 92	200	†99	99¼	+0¼	+0½	5.39
Comal Foods 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.53
Council Europe 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.19
FSA 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.22
E.Gl Int 6¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.85
Int-Am Dev Bk 6 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.10
Int-Am Dev Bk 6¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.23
Japan Fin Corp 5½ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.41
Japan Highway 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.76
Kansai Ele Power 5¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.67
Kyushu Ele Power 5¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	5.52
Loerke Int Fin 6¾ 94	100	†101¼	101½	−0¼	+0¼	6.19
Malaysia 6½ 92	80	†97¾	98	+0¼	0	6.85
Manitoba Prov 5¾ 94	100	†101¾	102	+0¼	0	5.58
Mitsui Fin Asia 5¾ 94	65	†97¾	98	0	−0¼	6.17
Mount Isa Fin 5¾ 94	100	†98	98¼	+0¼	−0¼	6.00
New Brunswick 5¾ 94	100	†100	100¼	+1	+1½	5.61
Spain Kingdom 6¼ 92	100	†101½	101¾	−0½	−0¼	5.98
Statsforetag 8 92	75	†99¼	99¾	0	+0⅛	8.06
Sweden Kingdom 5¾ 94	125	†99¾	100	0	0	5.76
Tauernkraftwerke 5½ 94	100	†98	98⅛	0	+0¼	5.75
Tobu Railway 4 92 WW	100	†98	98¼	+0⅝	+0¼	4.29
Tobu Railway 4 92 XW	100	†86½	86¾	0	+0⅝	6.20
Transcanada Pipe 5½ 92	100	†98	98¼	0	0	5.80

Average price change On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bk 7⅞ 94	15	97⅞	98⅛	−0⅛	+0⅛	7.65
Eurofima 7⅞ 94	10	98	98½	0	+0⅛	7.53
New Zealand 7⅛ 90	15	96¾	97¼	+0⅛	0	7.73
World Bank 7 94	20	94⅛	94⅝	+0⅛	+0¼	7.84
World Bank 7⅞ 93	20	98⅝	99⅛	+0⅛	+0⅛	7.79

Average price change On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
British Col Prov 12 93CS	125	89¾	90¼	+0⅜	−0⅛	13.93
Brit Col Tel 12¼ 98 CS	70	93½	94	+0⅛	−0⅛	13.21
Canadian Occ 12⅞ 89 CS	60	†93½	93¾	+0½	0	13.38
C.N.E. 13 93 CS	50	†96⅞	96⅞	+0½	−0¼	13.70
Montreal City Of 12 98 CS	50	†95⅞	96⅛	+0⅛	−0⅜	12.94
Quebec Hydro 14 91 CS	75	†103⅝	104⅛	+0⅜	+0⅞	13.12
Vancouver City Of 13 94CS	30	†98⅞	98⅞	+0⅛	+0⅛	13.25
Austria Rep 10⅝ 93 ECU	100	†95⅝	96⅛	0	+0½	11.38
GTE Fin 10⅞ 92 ECU	50	†96⅞	97⅜	0	+0⅛	11.43
Aegon 8¼ 89 FL	100	99¾	100¼	+0¼	+0⅛	8.25
Beatrice Foods 8¼ 89FL	100	99¾	100¼	+0¼	+0⅛	8.25
Denmark 8½ 91 FL	100	97⅞	98⅜	+0⅜	+0½	8.87
Electrolux 8 89 FL	60	97⅛	97⅝	+0⅜	+0⅞	8.88
Rank Xerox Fin 8¼ 89FL	75	99	99½	+0⅞	+0⅞	8.44
World Bank 8¼ 89 FL	150	99⅛	99⅝	+0⅛	+0⅛	8.40
O.K.B. 14 88 FF	400	101½	102½	0	+0¼	12.67
Solvay & Cie 14⅜ 86 FF	200	101⅞	102⅞	+0⅛	+0⅞	12.95
Air Canada 11⅛ 94 £	40	91½	92¼	−0½	−0⅜	12.73
Cncl Europe 11⅞ 92 £	50	93⅞	94⅛	−0½	−0⅞	12.66
Denmark 10⅞ 89 £	75	92⅞	93⅜	−0⅜	−0½	12.70
E.E.C. 11⅞ 94 £	50	93⅛	93⅝	−0⅜	−0¼	12.55
E.I.B. 10⅞ 92 £	50	90½	91¼	−0⅛	−0⅜	12.86
Forsmarks 10⅞ 99 £	40	92⅞	93⅞	−0¼	−0¼	11.62
I.B.J. 11⅜ 95 £	30	95⅞	96⅛	−0⅜	−0½	12.22
I.I.I. 10⅞ 93 £	25	92⅞	93⅜	−0⅜	−0¼	12.07
Int Stand Ele 11⅛ 89 £	50	97¾	98½	−0⅛	−0⅜	11.64
Ireland 11⅞ 94 £	50	90⅞	91½	−0⅜	−0⅜	13.01
New Zealand 10⅞ 89 £	100	93⅞	93⅞	−0⅛	−0⅞	12.44
Royal Trustco 12¼ 88 £	30	98⅞	98⅞	−0½	−0½	12.63
SNCF 11⅛ 84 £	60	91⅛	91⅞	−0⅛	−1	12.88
Sth Africa Rep 12½ 89£	40	98⅝	99⅛	0	−0⅛	12.89
World Bank 10⅞ 89 £	100	93	93¾	−0¼	−0⅜	12.52
Electrolux 10 89 LF	500	98½	99½	−0⅛	0	10.25
Cncl Europe 10⅞ 93 LF	600	102½	103½	0	+0⅜	10.27

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¼ 98	0⅛	†88½	89	15/8	10.81	10.85
B.B.L. Int 5 89	0⅛	98½	98¾	11/10	11.19	11.34
Bank of Montreal 5 90	0⅛	99⅞	100	27/10	11.19	11.20
Bankers Trust 5¼ 90	0⅛	99⅞	100⅛	10/8	11¾	11.75
Banque Indosuez 5¼ 99	0¼	99⅞	99⅞	21/8	11.06	11.12
Barclays O/S Inv 5 2004	0⅛	98⅞	98⅞	2/9	10.56	10.72
BFG Fin 5¼ 98	0⅛	99	99½	1/8	11⅞	11.98
Commerzbank 5¼ 89 XW	0	99⅛	99⅝	21/8	11.19	11.24
Dai-Ichi Kangyo 5¼ 98	0⅛	99⅛	99⅝	18/11	12⅛	12.20
Dresdner Fin 5¼ 89	0	99⅜	99⅞	23/8	11⅝	11.68
E.D.F. 5¼ 99	0⅛	99	99¼	23/8	10.56	10.66
Ferrovie Stato 5¼ 99	0⅛	99⅛	99⅜	31/8	10.69	10.77
Girozentrale 5¼ 94	0⅛	98¼	98½	18/11	12.19	12.39
Lloyds Euro 5 2004 §	0⅛	98¼	98½	18/10	11.31	11.50
Midland Int Fin 5 99 §	0⅛	98½	98¾	6/8	10.66	10.71
Mor. Bk Denmark 5¼ 99	0⅛	99⅞	100⅛	11/8	11	11.00
Nat West-Perp 5 89	0⅜	100	100¼	10/11	12.44	12.42
Oster Land 5¼ 99 §	0⅛	97¾	98¼	11/10	11.11	11.42
Queensland Coal 5¼ 98	0⅛	99⅞	100⅛	9/11	11⅝	11.61
Societe Gen 5¼ 94	0⅛	99	99¼	15/8	10.18	10.27
Spain 5¼ 97	0⅛	98⅝	98⅞	23/8	10.56	10.78
Sweden Kingdom 5¼ 2024	0⅛	†97¾	98¼	22/8	11.19	11.42
Takugin 5¼ 94 §	0⅛	99⅛	99⅜	15/8	10⅝	10.80
Texas 5¼ 99	0⅛	99⅞	100¼	12/12	12½	12.50
Tayo 5¼ 99	0⅛	99¾	100	14/12	12⅝	12.64

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1159	96⅛	97⅛	−0¼	0.37
BBC Brown Boveri 4¼ 95	2/84	109	†92	93½	0	3.28
Daiwa Sec Co 5½ 98	10/83	481.8	†109½	111	+0½	−0.73
Fanuc 3¾ 98	1/84	9142	119¼	120¼	+0¼	36.25
Fujitsu 3 99	5/84	1320.9	91½	92⅞	+0⅜	6.81
Honda Motor 5½ 98	6/83	884	132⅝	133⅝	+0⅜	1.82
Konishiroku Photo 4 98	10/83	873	84⅞	85⅞	+0⅞	2.96
Minebea Co Ltd 5½ 98	5/83	887	103⅛	104⅛	+1½	4.41
Mitsubishi Elec 5¼ 98	6/83	398	97⅝	98⅝	+0⅝	4.54
Mitsubishi Heavy 4⅞ 99	1/84	253	87⅞	88⅛	+0½	−0.10
Murata 3½ 99	2/84	2939	102⅝	103⅝	+1¼	23.47
Murata 3½ 2000	7/84	2398	98⅝	99⅝	+1⅛	−2.46
Nippon Oil Co 3¼ 99	3/84	1052	87¾	88⅞	+0½	6.57
Nippon Oil Co 5½ 98	4/83	904	96¼	97¼	+0⅝	4.96
Nissan Motor 5⅝ 98	4/83	700	94⅞	95⅞	+0⅛	8.88
Ono Pharm'cal Co 3¼ 98	3/84	9480	124⅛	125⅛	−0⅜	21.98
Orient Leasing 5¼ 98	6/83	2680	116½	117⅞	+0⅛	−1.58
Secom 5 98	11/83	2929	163¼	165⅛	+1⅛	5.73
Sekisui House 3 99	8/84	612	95	96	+1⅞	0.95
Sumitomo Corp 2⅞ 99	5/84	593	82½	83½	−0¼	−0.35
Yamanouchi Pharm'cal 4 98	10/83	1888	92⅛	93¼	+1⅛	27.80
Nippon Oil Co 2⅞ 92 SF	3/84	1052	†103½	103¾	0	14.23
Nippon Shinpan Co 2 92 SF	3/84	801	†91¾	92	+0⅜	31.36
Settsu Paper 2⅞ 92 SF	4/84	677	†138	139	−2	−4.28
Asics 5 92 DM	12/83	520	100⅝	101⅝	+0⅛	21.95
Sun Realty 6¼ 92 DM	2/83	365	148⅞	150⅞	+2⅛	−2.62

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cc. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Danish perpetual floating rate note lifted to $600m

BY MAGGIE URRY IN LONDON

DENMARK has proved to be the latest stop on Morgan Guaranty's tour of northern Europe with its successful formula for a perpetual floating rate note. Like the first deal, for Sweden, the Danish issue was increased, this time from $500m to $600m within hours of its launch yesterday.

Again the "flip-flop" option appears – once a year investors can switch from the perpetual, yielding ¼ per cent over six-month London interbank offered rate (Libor), to a four-year note yielding the mid-rate between Libor and London interbank bid rate (Libid) and back again.

Like the Swedish deal, the first option date is in one years time giving a theoretical five-year maturity to the paper allowing investors with that time limit to buy it.

The second deal, for Belgium, had a two-year pause before the first switch date which may explain why it has traded less well. The Danish issue traded yesterday at around a ¼ point discount, well inside the total fees of 0.4 per cent.

British Columbia Hydro-Power Authority launched a $150m four-year bond with a 13⅜ per cent coupon. Priced at par by Deutsche Bank, the issue traded just inside its 1⅞ per cent fees. The issue is guaranteed by the Province of British Columbia.

BHF Bank bond average		
July 10		Previous
98.886		98.853
High	1984	Low
100.009		98.056

A third issue, bringing the total amount raised on the day to $875m, came from the Long-Term Credit Bank of Japan. Lead managed by its International branch, the $125m issue is available in either bearer or registered form.

The seven-year life and 13¾ per cent coupon appeared on the tight side, but the issue traded within its 1⅞ per cent fees at a discount of around 1½ points to its par issue price.

Co-leads are Bankers Trust, Credit Suisse First Boston, Morgan Guaranty and Salomon Bros.

The new issues were inspired by the strong performance of Wall Street overnight, but the euphoria soon faded. After price rises of close to a point for seasoned Eurodollar bonds in the morning, they slipped back to show gains on the day averaging ¼ point. Again an excess of paper was blamed.

The dollar's more stable showing encouraged prices in both the D-Mark and Swiss franc sectors to rise, by up to a ¼ point in some places. Turnover was still fairly low.

AIBD member invokes arbitration procedure

BY OUR EUROMARKETS STAFF

FOR THE first time in its history the Association of International Bond Dealers (AIBD) arbitration procedure has been invoked by one of its members.

Mr Terry Galgey, head of the small London securities firm T. Galgey, has notified the AIBD and Bear, Stearns International, the London branch of the major U.S. securities firm, which is also an AIBD member, under Article 22 of the AIBD's statutes.

Mr Galgey said the move was "in accordance with legal advice received." He claims that deals done between his firm and Mr Peter Buer, when he was head trader at Bear, Stearns International, had resulted in losses to T. Galgey of about $250,000. Mr Buer is facing charges in Geneva in connection with fraudulent Eurobond trading.

Bear, Stearns has made no comment on Mr Galgey's decision.

Under the arbitration procedure both sides must nominate an arbitrator, with a time limit of 30 days imposed on Bear, Stearns. The two arbitrators must then appoint an umpire. Proceedings will take place in private.

OVER-THE-COUNTER *Nasdaq national market, 3pm prices*

Continued from Page 30

Stock	Div	Sales (Hnds)	High	Low	Last	Chng
SoctySv		36	11½	11¼	11¼	
Softch s		29	8⅞	7⅞	7⅞	−⅛
SoftwA		103	11½	11	11	−⅛
SonocP	1.20	160	42¾	41½	42¾	+1½
SonrFd		5	21½	21½	21½	+⅛
SthdFn	.52	26	20¾	20¾	20¾	+⅛
Soutrst s	.88	16	16¼	16⅛	16¼	+⅛
Sovrgn	.10	1382	6¾	6½	6⅝	−⅛
Sovran	1.50	920	30⅝	29¾	30¼	+⅛
SpecMic		1	2⅞	2⅞	2⅞	−⅛
SpanA		4	5	5	5	+⅛
Specd s		270	9¾	9½	9½	
SpecCtl	.05	57	7	6⅞	6⅞	
StafBld	.20	160	9¾	9⅝	9⅝	−⅛
Standyn	1.92	10	45⅞	45⅝	45⅝	−⅛
StdMic s		395	23	22¼	22⅞	+⅛
Standn s		6	6⅞	6⅞	6⅞	
StaStB	1	93	33	32¼	33	−⅛
StateG s	.15b	83	7	6⅞	6⅞	+⅛
Staiger		58	7⅞	7⅞	7⅞	
SternrL		31	4⅞	4⅛	4⅞	+⅛
StewStv		7	12⅞	12⅞	12⅞	
Stwinf	.68	14	20	19½	19½	
Stratus		154	10	9⅞	9⅞	−⅛
StrwCl s	.80b	28	38¼	38	38¼	+1½
Stryker		46	21½	20¾	20¾	
StuartH	.05	x44	4¾	4¾	4¾	−⅛
Subaru	1.24	46	92¾	92¼	92¾	
SubrBc	1.84	28	34¼	33⅞	34¼	+⅛
Summa		99	4⅞	3⅞	3⅞	−⅛
SumtHl	.05e	211	6⅞	6½	6⅞	+⅛
SunCst		56	3⅞	3⅞	3⅞	−⅛
SunSL s		186	16	15¼	15¼	+¼
SupSky		6	8½	8	8	
SuprEq		75	7⅞	7¼	7⅞	+½
Swnsn		154	5¼	4⅞	4⅞	−⅛
Sykes		47	3	2⅞	2⅞	−⅛
SymbT		85	7⅞	7½	7⅞	+⅛
Syncor		9	5⅞	4⅞	4⅞	−⅛
Syntech		17	10⅛	9⅞	9⅞	
Syntrex		268	5	4⅞	4⅞	
Syscon	.24	1	16	16	16	
SyAsoc		13	19	18½	18½	−½
Systin		31	8⅞	8	8	−⅛
Systmg		3	10⅛	10	10	+⅛
SystGn s		6	8⅞	8½	8½	−⅛
Systmt s	.02	358	13½	13	13⅛	−⅛
SCT Cp		133	25	24½	24½	
T–T						
TCA Cb	.12	20	12⅛	11⅞	11⅞	−½
TacVw s		33	7½	7¼	7½	+⅛
Tandem		1525	24⅞	23⅞	24	−⅛
Tandon		1175	7	6⅞	6⅞	
TicnA s	t	116	18⅞	18⅞	18½	+⅛
TelPlu s		242	9⅞	9⅞	9½	+½
Telecrd	.28	374	19⅞	19⅞	19⅞	−⅛
Teleplct		137	14	13¼	13⅞	−⅛
Telvid		199	5⅞	5⅞	5⅞	−⅛
Telebs s		516	23	21	21¼	−2
Telxon	.01e	10	10½	10½	10½	−⅛
Temco		53	6⅞	5⅞	6	−⅛
TermD s		10	11	10⅞	10⅞	
Tesdata		7	3⅞	3⅞	3⅞	−⅛
Texon		16	2⅞	2⅞	2⅞	
Textne	.25e	140	15⅞	14½	15⅞	+⅛
TherPr		90	9½	9⅞	9⅞	+⅛
Thetfd		33	7½	7	7½	+½
ThdNt s		237	24⅞	23½	24	+⅛
Thortec		104	5⅞	5⅞	5⅞	+⅛
ThouT s		474	22⅞	21⅞	22	
TmeFib		955	6⅞	6⅞	6⅞	−⅛
Tiprary	1	82	4⅞	4½	4½	−⅛
TotlSy		5	17½	17½	17½	+⅛
TrakAu		59	14½	14	14	−⅛
TWstEx		20	⅛	1-16	⅛	
TriadSy		128	9⅞	9	9½	−⅛
TrusJo	.36	1	24⅞	24⅞	24⅞	+½
TBkGa s	.80	58	25⅞	25½	25⅞	−⅛
TuckDr		80	7⅞	7½	7½	
TwnCty		25	2	1⅞	2	
U–U						
UTL s		25	18⅞	18	18	
Ultray	.06e	1240	20⅞	20	20	−⅛
Ungrmn		247	13	12¼	13	+⅛
Unvl		217	8½	8⅞	8⅞	−⅛
Unioil s		66	2⅞	2⅞	2⅞	+⅛
UnPlntrs	.60	58	19⅞	19	19	−⅛
UACom	.10	47	22½	22¼	22½	
UBAlsk	.10e	42	7½	7½	7½	+⅛
UBCOlo	1.08	38	17⅞	17⅞	17⅞	+⅛
UnEdS		3	4⅞	4	4	
UFnGrp		59	6⅞	6⅞	6⅞	−⅛
UFstFd		381	21⅞	20⅞	20⅞	−⅛
UGrdn	t	17	6⅞	6⅞	6⅞	
UnSvcL	1	22	26	25⅞	25⅞	−⅛
US Ant		85	4½	4⅞	4½	
US Bcp	1	223	19	18⅞	18⅞	−⅛
US Cap		82	5⅞	4⅞	5	+⅛
US Dsgn		167	6⅞	6½	6½	−⅛
US Hlt s		446	37⅞	35⅞	36⅞	+⅞
US Sh n	.12e	10	4½	4½	4½	
US Sur		97	13⅞	12⅞	12⅞	+⅛
US Trck	1.20	12	11	10⅞	10⅞	−⅛
US Tr	1.60	22	40	39⅞	40	+⅛
UStatn s		580	21⅞	21	21⅞	
UnTelev		147	15⅞	15⅞	15⅞	+⅛
UVaBs	1.44	41	25⅞	25½	25⅞	
UnvHlt		4131	11⅞	10⅞	11	
UrgeCr		112	5⅞	5⅛	5½	+⅛
Uscale		25	3⅞	3⅞	3⅞	
V–V						
VLI		872	5⅞	5⅞	5⅞	+½
VLSI		47	14	13½	13½	−½
VSE	.12e	74	7½	7⅛	7½	−½
ValidLg		50	11½	11⅛	11½	+⅛
ValFSL		98	10	9⅞	9⅞	−⅛
ValNtl	1.16	68	23⅞	23⅞	23⅞	
ValLne	.30e	8	33⅞	33	33	
VanDus	.40	x3	13⅞	13⅞	13⅞	
Vanzett		4	10⅞	10	10	
VectrG		345	⅛	1-16	16-1	-16
Ventrex		519	6⅞	5⅞	6⅞	
Vena		145	7-16	⅜	16-1	-16
ViconF		20	3⅞	3⅞	3⅞	
Vicorp s	.15e	416	17	16½	16½	
VictraS		12	7⅞	7⅞	7⅞	+⅛
VideoCp		14	13⅞	13⅞	13⅞	+⅛
VisTech		26	9½	9	9½	
Vodavi		62	8½	8⅞	8⅞	−⅛
Voltlnf		108	19½	19	19⅞	+⅛
W–W						
WD 40	.88	48	23	22½	23	+⅛
WikrTel		37	5½	5⅞	5⅞	
WshE	1.68	55	14⅞	14	14½	+⅛
WFSL s	.70	170	17½	17	17⅞	−⅛
WMSB		130	8⅞	8½	8½	
Wavetk		151	6⅞	6½	6⅞	
Webb s	.48	8	15	14½	14½	−⅛
WnCasS	2.84	40	46	45½	46	+⅛
WstFSL		84	7⅞	7½	7½	
WmorC	.40e	76	24	24	24	
Wettra	.80	156	20⅞	20	20	
Wicat		343	2½	2⅞	2⅞	+⅛
Widcom		17	9⅞	9⅞	9⅞	−⅛
Wilamt	1.50	119	27⅞	26⅞	27⅞	+⅛
WillAL		157	10	9⅞	10	+⅛
WmsSn		14	13⅞	12⅞	12⅞	−½
WilsnF		71	8⅞	8⅞	8⅞	
WilsnH	.20	8	12½	12⅞	12⅞	−⅛
Wndmr s	.07	204	6⅞	6	6⅞	
WinnEn		21	3⅞	3½	3⅞	
Winner		317	10⅛	10	10⅛	+⅛
WiserO	.88	9	21	20¾	21	+⅛
WoodD	.60	81	16	15½	15⅞	−⅛
WoodL s	1.40	50	58⅞	58	58⅞	+⅛
Worthg	.56	127	20⅞	19⅞	20	+⅛
Writer	.15e	2	7⅞	7⅞	7⅞	
Wyman	.80	116	26⅞	26	26⅞	+⅛
X–Y–Z						
Xebec s		255	9⅞	9	9⅞	
Xicor		58	12⅞	12⅞	12⅞	−⅛
Xidex s		186	15⅞	15⅞	15½	+⅛
YlowFt	.92	104	24⅞	24	24⅞	+⅛
ZenLbB		60	14⅞	14⅞	14⅞	+⅛
Zentec		14	4⅞	3⅞	3⅞	−⅛
Zyad		55	11	11	11	
Zondvn	.30	276	15⅞	14⅞	14⅞	+⅛
Zymos		35	3⅞	3½	3½	−⅛
Zyrrex		210	4⅞	4⅞	4⅞	+⅛

SECTION IV
FINANCIAL TIMES SURVEY

The French Left-wing Goverment has long been aware that 1984 would be its most difficult year in office, but the recent European election results were undoubtedly a painful surprise. In such a hot political atmosphere, the ordinary task of governing is likely to prove more difficult.

FRANCE

Governing under an electoral cloud

IN THIS SURVEY

M. MITTERRAND is approaching the half-way mark in his seven-year presidency He does so at a moment when the Socialist and Communist share of the vote in France has plunged from 52 per cent in the legislative elections *in 1981 to only 32 per cent in last month's European* elections.

Comparisons between the two polls provide an unfair measure of the Left's decline in popularity. The Socialists and Communists won their victory in the 1981 legislative elections in the euphoria that followed M. Mitterrand's unexpected success in the Presidential election. Their defeat in the European elections was in a poll which does not have immediate national or local consequences.

By David Housego
IN PARIS

The Left has long been aware that 1984 would be their most difficult year in office. The Government is now paying the price of its initial, calamitous reflation of the economy and the courageous about-turn in policy that began a year later. Unemployment has been sharply rising largely under the impact of industrial rationalisation that President Giscard d'Esting's administration delayed in carrying through.

But the importance of the European election results is that they show how much ground the Left has to catch up if it is to avoid a similar defeat in the 1986 legislative elections.

If they are badly beaten, then M Mitterrand will have difficulty in holding onto the Presidency until 1988 through what could be a two-year battle between a Right-wing dominated National Assembly and a Socialist Presidency to decide which has the upper hand.

By the same token, the results of the European elections have given the opposition the smell of blood.

"We have entered the final phase of Socialism," proclaimed M Raymond Barre, the former Prime Minister. M Jacques Chirac. The Mayor of Paris has spoken of engaging the government in a fight "without compromise."

An explosive new factor making it the more difficult for the opposition leaders to calm the impatience of their troops [illegible] extreme Right-wing National [illegible] Le Pen. His party polled 11 per cent of the votes in the European elections—or as many as the Communists.

All this means that M Mitterrand can expect scant mercy from his opponents between now and 1986 with the risk that every major issue—from private schools to the fate of Creusot-Loire, the heavy engineering group that has been placed under official receivership—will be politicised for partisan ends.

France thus enters a long electoral campaign that could drag on to 1988. In such a hothouse political atmosphere, the ordinary task of governing is likely to prove more difficult.

The European election results were undoubtedly a painful surprise. In many ways, the Government is now beginning to reap the fruits of the stabilisation measures introduced in March 1983. Inflation is falling thus narrowing the differential between consumer price increases in France and those of her trading partners. The franc has remained stable within the EMS in part reflecting the foreign exchange markets' confidence that the Government will stick to its *anti-inflationary goals.*

The external trade deficit has narrowed—though not as rapidly this year as the government anticipated because export growth has been more sluggish. These orthodox economic priorities are also shared by many on the Right who equally believe that the Left is carrying through a purge of declining industrial sectors such as steel and coal that the right would have found far more difficult to achieve.

On the plus side as well is the consensus that M Mitterrand has built around his foreign policy, and his success—Gaullist style—in projecting France's image abroad.

His support for U.S. intermediate missile deployment in Europe has won him respect in Washington from a conservative administration that *disliked both his Socialist* credentials and the presence of Communists in the Government.

He has won praise in France from all points of the political compass for his handling of the Presidency of the EEC Council of Ministers—even before the agreement at the Fontainebleau summit crowned it with success. He has demonstrated French power in Lebanon and Chad without being caught in the traps that those explosive situations hold out. He has patched relations with the Soviet Union while yielding no ground over France's support for Andrei Sakharove, the Russian dissident, or on East West issue.

Exasperation

But voters in the European elections were not asked to pass judgment on President Mitterrand's foreign or economic policy. The defeat of the Left and the rise of the National Front reflected both an exasperation with the Government and with the established political parties. The Left's own supporters in 1981 have not forgotten that President Mitterrand promised them one set of policies and then enacted another. The Government has suffered from its clumsy handling of a number of issues from private schools to steel restructuring and the reform of the press laws.

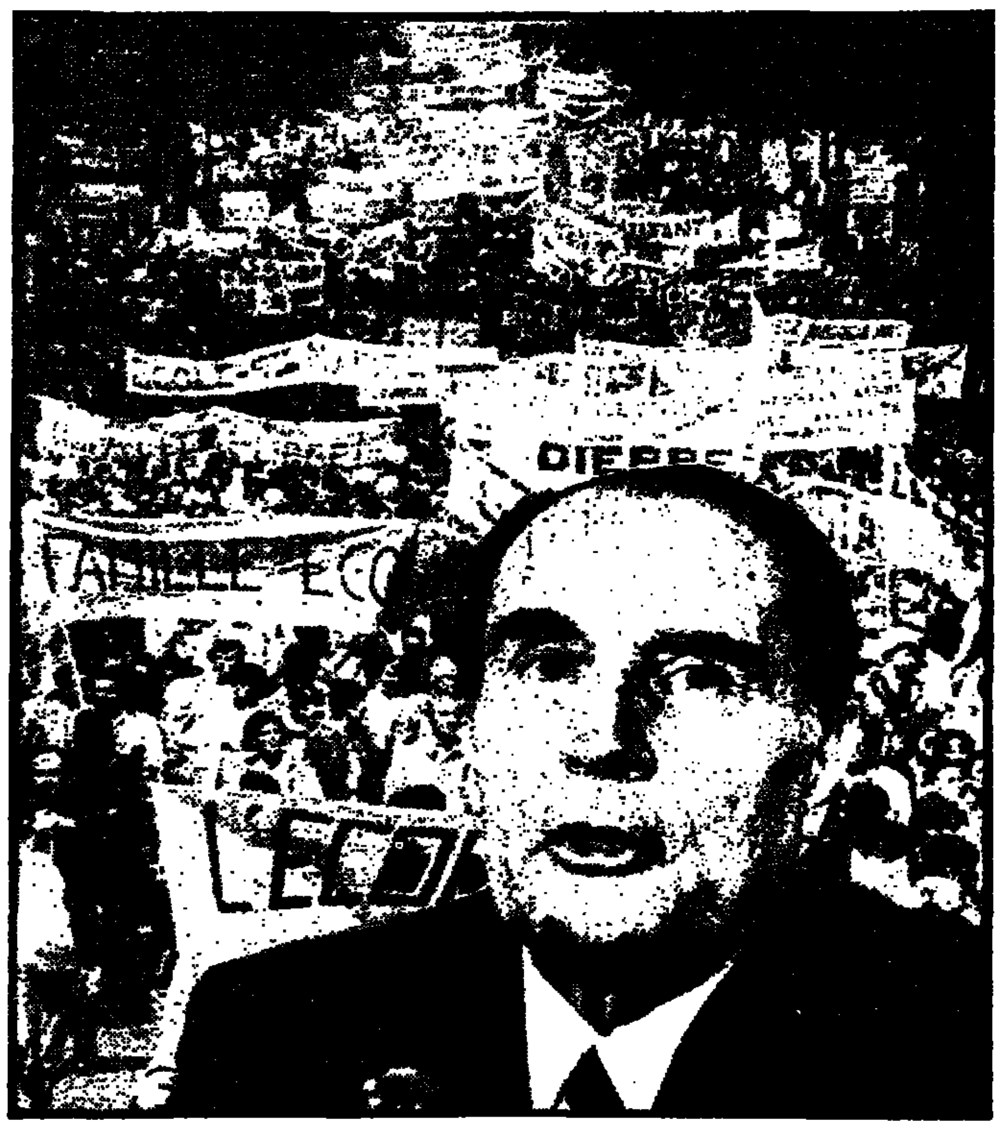
But as the private schools demonstration showed as well, the French have also come to identify the Left with a style of centralised bureaucratic administration for which they are showing an increasing distaste. *They believe that the state is* extending its power by raising more taxes, by nationalising banks and industries and by enlarging its sway over private schools and the press.

Notwithstanding France's long history of centralised administration, they appear to have had enough. The fact that the state is now in the hands of the Socialist and the Communists has obviously fuelled the resentment on the Right. But the result is the paradoxical situation by which a political Left that has always prided itself on its defence of liberties now finds itself under attack from an authoritarian Right (M Le Pen's National Front included) for being repressive.

M Mitterrand has yet to decide on the shape of the cabinet reshuffle he now clearly intends. He cannot keep on M Pierre Mauroy as Prime Minister much longer without giving the impression of a government adrift. For the last few month's *the expectation of a change has* left a void in decision-making at the Matignon.

As in March 1983, while M Miterrand brooded over what economic policy to follow in the

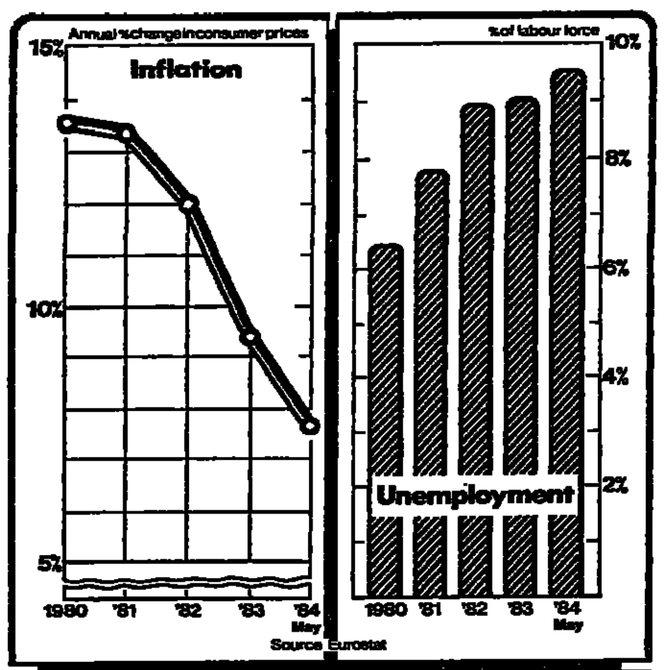
CONTINUED ON PAGE 3

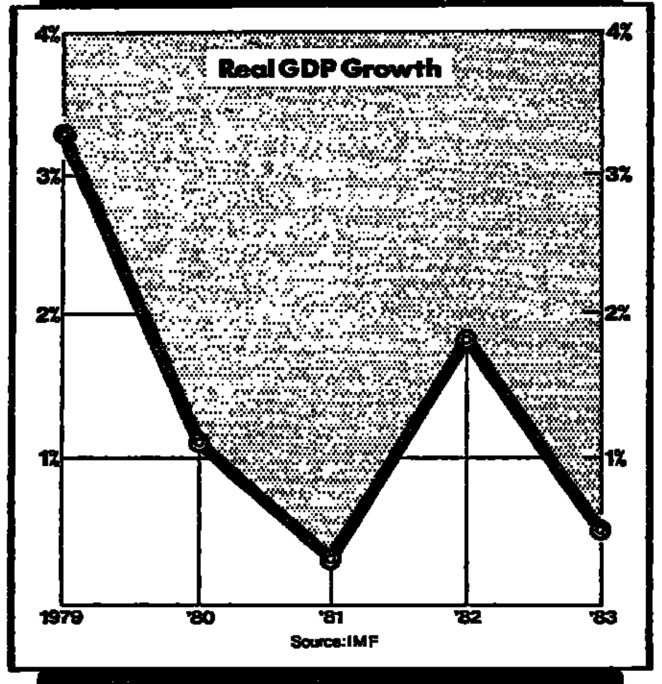


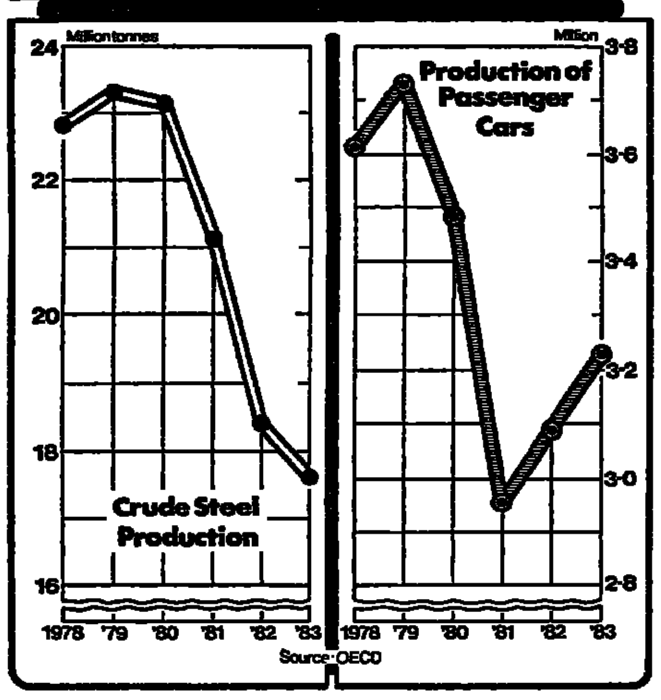
President Mitterrand can expect scant mercy from his opponents between now and the elections in 1986. Nearly 1½m people turned out in the streets of Paris in June as an expression of growing exasperation over what is seen as an unwelcome extension of state power over schools, the press and people's working lives

The 1985 Budget is now being finalised under the banner of a tight clampdown on expenditure.

Battle to cut inflation and reduce trade deficit







SINCE bringing in austerity measures in March, 1983, the Government has stuck to its economic priorities of bringing down inflation and reducing the trade deficit. There is no sign of any significant change of course, notwithstanding the pressure from the Socialist Left and the Communists for fresh reflationary measures.

But with a more favourable international environment and an increase in industrial investment, the Government is now looking to pick up in economic activity from next year and to an improvement in living standards. After two years in which household purchasing power has been stagnant or negative, the Government anticipates a modest 1.6 per cent growth in real incomes in 1985 in advance of the legislative elections of the following year.

By David Housego

The 1985 Budget, which has to be presented to the National Assembly by the end of September, is nonetheless being finalised under the banner of a tight clampdown on expenditure.

In addition, the Government is having to reduce expenditures by a further FFr 70bn to allow room for the cuts in taxation promised by President Mitterrand last year.

The cuts, which will touch both personal and corporate taxation, are intended to give proof of the Socialists' determination to halt the rise of taxation and social security contributions as a proportion of GNP. Last year the ratio rose to 44 per cent—or one of the highest in Europe.

As a result of the stabilisation policies, inflation had fallen on a year-to-year basis to 7.7 per cent in May from 9.3 per cent at the end of 1983 and 9.7 per cent at the end of 1982.

With hourly wage rates rising less fast than prices in the four consecutive quarters up to March 1984, the fall in the inflation rate is expected to continue. Officials hope for an inflation rate of 6.5 per cent by the end of this year, and 5.5 per cent by the end of 1985.

As a result, the differential in France's inflation rate with that of the seven major OECD economies had narrowed at the end of April to 3.1 per cent. This has in large part contributed to the stability of the franc which has not been realigned within the EMS since March 1983.

The trade deficit has also been shrinking—though the figures for the first five months of the year have given the Government cause for concern.

After falling to FFr 58bn in 1983 after FFr 102bn in 1982, the cumulative trade deficit for the first five months of this year was FFr 17.2bn.

The Government expects that with an improvement in the trade figures in the second half, the deficit for the year will end up at FFr 25bn with the current account deficit slightly below this. It will thus be larger than the Government initially anticipated, but officials forecast that the trade account will achieve a surplus of FFr 11 bn in 1985.

Behind the disappointing trade performance in the first quarter has been a slow-down in export growth. Notwithstanding this, the Government is looking to a 3.4 per cent volume growth in exports this year and to 4.8 per cent in 1985.

These optimistic forecasts underpin its hopes both of bringing the trade account back into surplus and of a pick up in economic activity. The sharp expansion in exports is being forecast notwithstanding the anticipation of a slow-down in the world recovery.

Apart from exports, the Government sees the other main component of growth being the revival of industrial investment. INSEE has forecast an 11 per cent increase in industrial investment this year in real terms, stemming from both the more vigorous plans of the nationalised sector and from the sharp improvement in the companies' financial position this year and next.

A further factor contributing to a pick-up in activity next year will be the 1.6 per cent anticipated increase in household purchasing power. Real incomes fell by 0.3 per cent last year and are expected to be only marginally positive this year.

After a 0.9 per cent expansion in real GNP in 1983, officials now expect a 1.4 per cent growth rate this year rising to 2 per cent in 1985. At this level French growth will be marginally above that of the average for France's trading partners carrying with it the risk of a new surge in imports.

Little sign yet of revival

The virtual stagnation of the economy, coupled with more intensified industrial restructuring has pushed unemployment up to 2.3m by the end of May from the 2m mark at which the Government succeed in stabilising it at during its first 2½ years in power. By the end of the year the number of jobless is likely to reach 2.6-2.7m.

It is principally the sharp rise in unemployment that has strengthened the pressure from the Socialist Left and from the Communists for reflationary measures. But the Government cannot move in that direction without the risk of a further rise in imports exacerbating the trade deficit and thus adding to the foreign debt and the pressure on the franc.

Figures issued by M Jacques Delors, the Minister of Finance, on France's foreign debt show how narrow is the government's room for manoeuvre in *shifting* the direction of economic policy.

On official statistics, the foreign medium and long-term debt expanded from FFr 187bn ($22.9bn at the prevailing rate of exchange) at the end of 1981 to FFr 451bn ($53.7bn) at the end of last year—much of the increase due to the strengthening of the dollar.

Because of this backlog of debt, and as a result of anticipated annual new commercial borrowings of over FFr 60bn a year between now and 1987, the Ministry of Finance expects that repayments on capital and principal will rise from FFr 56bn last year to FFr 119bn by 1988.

To finance the interest payments and stabilise the overall level of the debt, the Government is thus projecting that the current account will move into surplus next year and then achieve an annual average FFr 30-42bn surplus in the years 1986-1988.

This medium-term balance of payments horizon implies a continuing squeeze on domestic demand that will maintain France's economic growth rate below that of her major European partners for the rest of President Mitterrand's presidency.

According to a variety of scenarios prepared by INSEE, French real GNP is likely to rise on average from between 1.5-2.4 per cent over the 1984-88 period, with the most probable growth rate being in the 1.8-2.0 per cent range. On this basis, unemployment will rise to over 3m by the end of President Mitterrand's presidency.

M Jacques Delors, Minister of Finance: his figures on France's foreign debt show how narrow is the Government's room for manoeuvre in shifting the direction of economic policy

Government encourages closer European collaboration

M. LAURENT FABIUS, the youthful Socialist industry and research minister, likes to tell the heads of the large industrial groups nationalised by the Left that they must make profits by next year at the latest. If they do not, they are likely to lose their jobs.

M. Fabius, who sees himself as the champion of a pragmatic industrial policy designed to modernise French industry and make it world competitive, also claims to support less state intervention in a country fabled for its interventionist policies.

Industrial policy

PAUL BETTS

To underline this new approach, the Industry Minister, regarded as "a favourite son" of President Mitterrand, explained that the landmark asset swap announced last autumn between Thomson and CGE, the two large nationalised electronics conglomerates, had been entirely negotiated by the chief executives of the two groups.

That asset swap, which concentrates the bulk of the French telecommunications manufacturing industry with CGE, *while* concentrating the electronic components, defence and consumer electronics businesses with Thomson, is a further example of the rationalisations and restructurings the socialist Government has sought to push forward.

At the same time, M Fabius and the Government has pressed for a policy of greater industrial collaboration between European companies to meet the challenge of the U.S. and Japan.

Telecommunications sector

During the past six months of the French presidency of the European Community, M. Fabius has argued for the opening on a reciprocal basis of national telecommunications markets and for the creation of common standards in the telecommunications and electronics industry. He has also given his full support to the Ariane space programme and recently committed France to a number of new space projects.

All in all, M. Fabius has, on the surface at least, provided a radically different approach to industry policy than his controversial and interventionist predecessor, M. Jean-Pierre Chevenement, the leader of the CERES group representing the far-left wing of the socialist party.

But after more than a year in office and despite repeated and lengthy explanations of the pragmatic direction French industrial policy was taking, M. Fabius has more often than not been unable to follow through on his principles. This has been especially true of the numerous and politically sensitive dossiers that have been piling up on his desk.

In most cases, M. Fabius has seemingly sought to skirt round the problem and let other ministries or the Matignon, the Prime Minister's office, take over. He has been knicknamed by some civil servants in other ministries as "the invisible man."

It was M Fabius who led the Government's attempts to prevent Creusot-Loire, the country's leading private heavy engineering concern from filing for *bankruptcy*.

Controlled by the private Empain-Schneider group and run by the aggressive M Didier Pineau-Valencienne, Creusot-Loire had turned into an embarrassing saga for the Government. Last year, the Government and banks injected FFr 6bn to support the engineering group which subsequently returned for more cash.

Citing again its non-interventionist policy, the Government wanted to make clear that private groups could not expect the state to absorb losses due to their management mistakes.

M Pineau-Valencienne claimed that the losses were due to the Government's failure to aid Creusot-Loire's steel activities in the way that it had provided assistance to other steel groups.

A long deadlock in negotiations between the two groups finally ended in Creusot-Loire's being placed under official receivership amidst bitter recriminations on all sides.

Government officials conceded that the cost of salvaging the group's mainline activities was likely to prove greater than the additional capital funding sought by M. Pineau-Valencienne.

If Creusot-Loire has recently held the headlines and replaced on the front pages the troubles of the French motor industry, the Government's approach to the car industry has also been confused.

At the beginning, the Government accepted (and, indeed, still does) the need for wholesale job cuts and new investments to improve productivity and restore a competitive edge to the country's motor industry.

But it soon became obvious that under pressure from the labour unions and the Communist party, its junior partner in Government, the socialist-led administration was having second thoughts about its tough industrial approach. It took the Peugeot group six months to negotiate with the Government about 2,900 compulsory redundancies at its large, troubled Talbot plant at Poissy.

The Government agreed to allow Peugeot to make 1,900 complsory redundancies in return for a FFr 1.2bn investment programme at Poissy. The unions subsequently accused the Government of making a back-hand deal with *Peugeot* leading to rioting at Poissy.

Industry Minister, Laurent Fabius, champion of a pragmatic policy to modernise French industry

Redundancy plans rejected

Although the Government kept its commitment with Peugeot over Talbot, it has so far rejected redundancy plans for Citroen, the other large and financially troubled subsidiary of the Peugeot group. Haunted it seems, by the ghost of Poissy, the Government has now tried to revive in a half-hearted fashion its old project of the 35-hour working week.

As for Citroen, the company has continued to insist that it has no option except to go ahead with its programme of layoffs if it is to remain economically viable.

If the Government has so far held firmly to its unpopular but courageous steel industry restructuring programme, it has caved in to labour and Communist party pressure in the shipbuilding industry and committed itself to maintain the country's five main shipyards involved in the sector's restructuring plan.

More controversially, it has continued to support the rescue of the paper manufacturer, La Chapelle Darblay, which happens also to be based in M Fabius' own parliamentary constituency of Rouen.

But for all the failures of the Government to translate into practice its new more pragmatic approach to industrial policy, there have also been some noteworthy successes. Perhaps the most visible has been the recovery of most of the large nationalised industrial groups with the exception of the steel companies.

Most of these groups were in dire financial trouble when the state took them over after the left came to power in France. But the chemical group Rhone-Poulenc, the aluminium group Pechiney, and Thomson in the electronic sector are all on the mend. The controversial restructuring of the French chemical industry has also borne the first positive results and is proving a success.

The Government has also continued to try to shift the emphasis away from the big industrial groups to stimulate growth and development of small- and medium-sized enterprises.

Additional fiscal and financial incentives have been announced to encourage the creation of new medium-sized industries, especially in the so-called industrial reconversion poles where new enterprises are sought to provide jobs to offset the closures or restructurings in the mature and declining industrial sectors.

In many respects, these new industrial reconversion poles highlight the many facet aspects and the difficulties in the socialist Government's conduct of industrial policy. These poles regroup all the problems connected with decaying industries and unemployment as well as all the new challenges of modernisation and the development of new high technology growth industries. And the Government has clearly felt morec omfortable with tackling the industrial challenges of the future than with coping with all the problems of the past.

INDUSTRIAL PROFILE: Louis Tardy of Machines Francais Lourdes (MFL)

Louis Tardy: industrial trouble-shooter.

Rescue mission pays off

M LOUIS TARDY is an industrial trouble-shooter — a word for which, perhaps significantly, there is no precise equivalent in the French language. In September 1982 he was brought in to chair Machines Francaises Lourdes (*MFL*), the heavy duty machine tools group born out of the government-backed reorganisation of France's string of troubled smaller companies in the machine tools sector.

Just under two years later, M Tardy, aged 59, is presiding over a company which has made savage job cuts — down from 2,200 in the original battery of four separate companies to the present total of 1,400 in the reconstituted group. It has benefited from FFr 500m of state aid to finance lay-off programmes (through the classic means of early retirement and training schemes) and clean up past losses.

Thanks to the jump in productivity, reorganisation of production techniques using computerised know-how, and, above all, a considerable shake-up of MFL's export marketing efforts, M Tardy believes the group is on the way to making profits.

The powerful group of shareholders brought into the rescue mission — led by the Industrial Development Institute with 49 per cent, but also including top manufacturers such as Renault, Peugeot, Alsthom-Atlantique, Aerospatiale and the two state steel companies — can, barring unforeseen mishaps, expect a dividend in 1987, he says.

Wide industrial experience

MFL's new boss stresses he is no machine tools specialist. He draws on long-running career experience in a variety of industrial groups, including his own air conditioning company, Technibel, which he set up in 1958 and sold in 1973.

M Tardy says he was willing to help out with the Socialist Government's industrial restructuring — provided he was not brought into a directly nationalised company.

The key to the recovery strategy of MFL is a boost in foreign sales. MFL, which now has two operating divisions, Berthiez Saint-Etienne in lathes and Forest-Liné in milling machines, aims to boost turnover from FFr 520m last year to FFr 570m in 1984 and FFr 1bn by 1988 almost exclusively through increasing exports.

Currently, about 60 per cent of turnover is in France — where MFL has a "satisfactory" share of 50 per cent of the heavy-duty machine tools market — with 40 per cent abroad, where market share is about 2.5 per cent.

By 1988, the aim is to bring the foreign sales total to 70 per cent of sales, boosting non-French market share to 4.5 per cent.

The formerly loss-making companies now in the MFL group had no *fully-established* foreign sales network, relying on agents for exports.

"The one *big* decision that we have taken is to set up a durable presence abroad," says M Tardy.

Setting up a permanent team of fully-fledged MFL salesmen in 14 foreign posts — led by the U.S., West Germany, and the Soviet Union (where MFL has FFr 70m worth of business) and also including South Africa, New Delhi, Budapest, Stockholm, Peking and Latin America — has alone cost FFr 25m. This is 4 per cent of turnover — but M Tardy hopes the proportion will fall to 3 per cent by 1987 as the dividends of higher foreign sales start to roll in.

MFL has also bought up — for a total cost, including new investments, of $7m — the U.S. company Goldsworthy, specialising in machines for working composite materials, to increase its international presence.

With the new marketing team in place ("We didn't have that type of men before"), M Tardy says that the company is receiving twice as many inquiries ror machinery from potential foreign clients than a year ago.

"The first stage is satisfactory. People know we exist," he says. The challenge now is to turn initial interest into firm orders — which in this sector can often take a year or more. Here, MFL's chairman hopes the breakthrough will come in the second half of 1984.

The opposition now intends to step up its campaign in the hope of forcing early legislative elections

Protests over extension of state power

"MITTERRAND—can his administration last?" asked a prominent Right-wing weekly on its front cover after the Left's defeat in the European elections.

The question exaggerates President Mitterrand's current vulnerability but that it can be credibly posed reflects the difficult political landscape that he faces.

Impact of EEC election results

DAVID HOUSEGO

The result of the European elections was to put the Left (Socialists, Communists and allied groups) into a clear minority in the country—polling only 39 per cent of the vote. That compares with a peak score of 52 per cent that the Socialists and Communists won in the legislative elections of 1981 and which gave the Socialists an absolute majority in the National Assembly.

A week after the elections, nearly 1½m people turned out in the streets of Paris for a demonstration in defence of private schools but one that also expressed growing exasperation over what an increasing number of Frenchmen see as an unwelcome extension of state power over schools, the press and their working lives.

Constitutionally, M Mitterrand's position is not affected by the defeat in the European elections. He has four years to run as President. And the Socialists will maintain their absolute majority in the National Assembly which is not due to be dissolved until the first half of 1986.

Campaign hots up

But the oppostion now intends to step up its campaign against the government in the hope of either forcing early legislative elections or of obtaining an absolute majority in the Assembly in 1986. If they succeed in winning such a majority, then the risk is of a conflict between a Right wing dominated Assembly and a Socialist Presidency unparalleled in the history of the Fifth Republic.

The Left's hope is that it will be able to minimise its losses in 1986, so as to blur the issue of which parties have a majority in the Assembly and thus allow the President room for manoeuvre in assembling a coalition to support a Prime Minister of his choosing.

The balance of parties within the Assembly after 1986 will depend on the system of voting M. Mitterrand chooses for the legislative elections. It is a critical choice that he has yet to make. He had intended to shift to a system of proportional representation from the present two-round single-constituency majority voting.

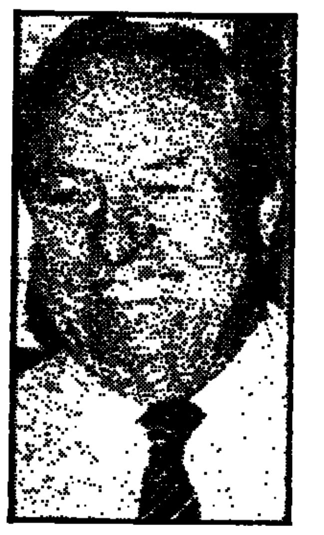
The advantage was that in the event of a substantial swing against the Left it would still have safeguarded a substantial Socialist and Communist representation. It would also have allowed minority groups of the Centre to emerge as a counterweight to the Right.

Some system of proportional representation still seems inevitable. But M Mitterrand's calculations have been put out by the crumbling of the Communist party in the elections, the failure of the Centre-Left to obtain even 5 per cent of the vote and above all by the spectactular success of M Jean-Marie Le Pen's National Front party.

With 11 per cent of the vote in the elections, the extreme Right wing National Front scored as high a proportion of the votes as the Communist Party. M. Mitterrand has no wish to see them as strongly represented in the Assembly.

It is the prospect of the 1986 electoral battle and the threat of the subsequent conflict between the Assembly and the President that now dominates all political calculations. M. Mitterrand has to decide this summer on a replacement for M. Pierre Mauroy as Prime Minister and on the shape of the cabinet reshuffle that will accompany this change. For some months the growing expectation of a change of government has left M Mauroy as a lame duck Prime Minister.

In choosing a new Prime Minister, M Mitterrand's difficulty is that it has become increasingly difficult to reconcile the demands of a leftward leaning Socialist party with the wishes of a country that wants to be ruled from the centre. A substantial faction of the Socialist Party blames M Delors' economic policies for both the defeat in the elections' and the discouragement of its rank and file — as emerged from the recent meeting of the party's ruling committee.



M Jean-Marie Le Pen, leader of the National Front Party: a spectacular electoral success

But not only do M Delors' policies command an increasing, if reluctant national consensus. But both the results of the elections and the demonstration in Paris on June 24 show a growing public impatience for the Marxist left.

Criteria

M Mitterrand's recent statements also suggest that he would like the Government to promote a more middle of the road image. If his criteria in choosing a new Prime Minister are based more on rallying public opinion than uniting the Left he could well look to M Michel Rocard, the current Minister of Agriculture, M Roland Dumas, the Minister for European Affairs or even M Delors rather than the established front runners — M Louis Mermaz, President of the National Assembly, M Pierre Beregovoy, the Minister for Social Affairs or M Laurent Fabius, Minister for Industry.

For the Communists, their unexpectedly sharp setback in the elections has put in doubt both the leadership of the party and the policies it will follow. Notwithstanding his denials, M George Marchais, the party Secretary General, is unlikely to survive the next party Congress at the beginning of the year. He was described as "the man of failure" by M Marcel Rigout, the Communist Minister for Industrial Training, in recent indiscreet remarks.

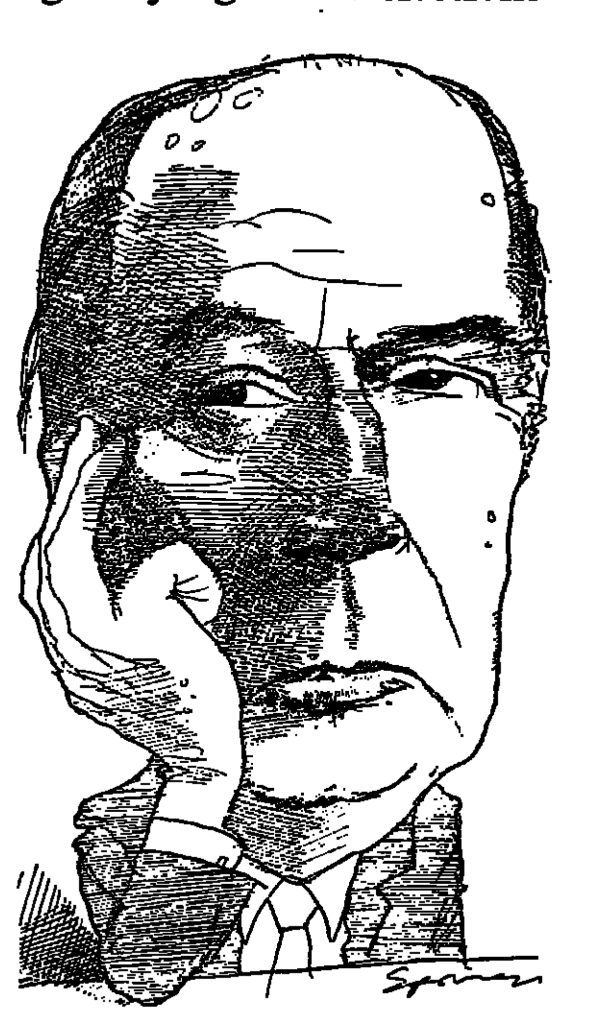
But the party is also in the course of an agonising reappraisal on whether to modernise itself and abandon its neo-Stalinist legacy or whether to prepare itself again for opposition by falling back on its traditional working-class base.

M Rigout was reported to have said that for too many young people the French Communist Party had come to mean the Soviet Union and the "gulag." His comments reflect the restlessness of a substantial faction in the party which fears that without change the party is condemned to an historic decline. But the authoritarian party hierarchy is clearly nervous of innovations that herald the unknown.

On the Right, the European election result which gave the combined neo-Gaullist RPR and the centrist UDF 42.2 per cent of the votes — or less than they won in the elections in 1979 — has shown that the Government's difficulties have not directly benefited the traditional opposition parties.

The two major wings of the opposition each have their problems. The UDF was weakened in the run-up to the European elections by M Chirac's forcing on them a joint opposition party list. The result was that they were eclipsed by the RPR's organisation and weight of numbers as M Chirac intended that they should be.

Beyond this they are now involved in a bitter internal squabble over whether M Raymond Barre, the former Prime Minister, or ex-President Giscard d'Estaing should be their leader. The UDF represents a mixture of Liberal Conservatives and radicals but has little organised base.



With the prospect of the 1986 electoral battle, M Mitterrand's recent statements have suggested that he would now like the Government to promote a more middle-of-the-road image

The elections confirmed that M Chirac runs the best organised political party in France. But the extent to which M Le Pen has eroded RPR support on the extreme Right caught him by surprise.

'A demagogue'

Having denounced M Pen as "a demagogue" during the campaign, it is difficult now for M Chirac to reach an agreement with him. But he has yet to decide whether to try to outflank him by sharpening his attacks on the Government or whether to seek some accommodation later.

But over the longer term the major preoccupation of the Right is what course to follow should they achieve a Parliamentary majority in 1986. For there are both temptations and dangers for them in accepting to form a government while M Mitterrand remains as President.

The temptation is that it gives them a chance to dramatise their policies of denationalisation, revoking the press and private education bills and liberalising credit. The danger is that M Mitterrand retains the power to dissolve the National Assembly at any time should their administration begin to falter.

Former President Giscard d'Estaing favours a "cohabitation" with the Left on the grounds that he would have accepted M Mitterrand as Prime Minister in 1978 if the Left had won the legislative elections that year. M Raymond Barre is firmly against, while M Chirac is hesitant. But all are preparing themselves for the long electoral battle ahead.

Governing under an electoral cloud

CONTINUED FROM PAGE ONE

wake of the Socialist's third devaluation, political Paris this summer waits on M Mitterrand to make up his mind.

Nothing better illustrates the monarchical nature of the 5th Republic and the extent to which M Mitterrand has taken over its powers, than the rumours that at such moments can sprout from his slightest word.

In attempting to rebuild a new national majority, M Mitterrand cannot rely on the Left alone.

The Communist party is now too weak to make a substantial contribution. As M Jacques Delors, the Finance Minister, said at the recent meeting of the Socialist party's ruling committee, even if the Socialists score another 10 points, "30 (per cent) + 12 (per cent) does not provide a majority." Without recouping lost votes in the Centre, the Left stands no chance in 1986.

The major question is thus whether M Mitterrand will openly embrace this middle ground by either dispensing with the Communists or reducing them to an even more minor role in the Government. Such a substantial shift to the centre under a social-democrat banner would be unpopular with a large part of the Socialist party. They already feel ill at ease with many of the Government's orthodox fiscal and monetary policies.

M Mitterrand has nonetheless been moving in this direction. In an interview before the European elections he sketched out policies that put more emphasis on corporate profitability, international competitiveness, a decentralisation and the Socialists demonstrating their competence in running the economy.

All this is a far cry from M Mitterrand's earlier belief in economic interventionism and his flirtation with protectionism and pulling France out of the EMS.

Whichever way the cake is carved there is no reason to assume that there will be any significant change in economic policy. The Government has been consistent in its pursuit of anti-inflationary goals. It needs to continue on that track if it is to avoid a renewed worsening of the trade deficit and a further build-up in France's foreign debt. The emphasis on achieving a "convergence" of economic policies with that of the other main industrialised nations is in line with M Mitterrand's European and East-West policy objectives.

In industrial policy there has not been the same consistency. The Government pressed the state-owned steel companies to bring their accounts into balance and then pushed aside M Raymond Levy, the head of Usinor who has been the main advocate of profitability.

It bailed out Chapelle Darblay while declining to do the same for Creusot-Loire. It has argued the case for industrial reorganisation but then curbed Citroen, the private car manufacturer, from laying off employees.

Tough decisions

Much of this confusion lies at the door of M Laurent Fabius, the Minister of Industry, who has proved one of the surprise disappointments in the Cabinet.

But in the months ahead some of the most difficlut decisions the Government faces are in cutting back the labour force in the automobile industry, the shipyards and in heavy engineering.

Up to now M Mitterrand has benefited from the divisions of the Right. The neo-Gaullist RPR and the centrist UDF only polled 43 per cent of the vote in the European elections.

They have been weakened by the rivalries between M Jacques Chirac, Mayor of Paris, M Raymond Barre and former President Giscard d'Estaing. But they are in broad accord on putting through an ambitious programme of denationalisation, of revoking the Press and private school bills and on removing price and exchange controls should they return to power.

On one point all parties, except the Communist have shifted ground in a way that brings them closer together. There is increasingly a consensus in France on the importance of strengthening European collaboration. President Mitterrand has wide backing the emphasis he has put on Franco-German co-operation, on providing a "European pillar of defence" and on greater political unity.

In this sense the agreement at Fontainebleau over the British budget contribution was greeted with relief as ending a tiresome quarrel that now enables Europe to broaden its horizons.

Decentralisation: FT Correspondents show how three diverse regions are reacting to changing policies

Farmers worry over Spanish competition

THE SHADOW of Spain's entry into the EEC hangs heavily over the south-west region of Languedoc-Roussillon. "The timing is wrong," says M Raymond Chesa, mayor of Carcassonne in the heart of the wine growing belt of the Midi.

In Montpellier, the region's capital and its most industrialised town, there are a good many people who concede both the political necessity of Spain's entry into the EEC and argue that the 3m population of Barcelona potentially opens up new markets for the south west.

But in a predominantly agricultural region in which wine and fruit are the major produce, there is no doubt that M Chesa's view that the local economy is too fragile to withstand at the moment Spanish competition, is the majority one.

The basic wine of the Midi is sold at FFr 18 a litre as compared with a price of FFr 8.90 in Spain. Spain, as the Midi producers never cease to point out, is potentially the largest wine growing region in the world.

Fresh fruit from the region—peaches, apricots, pears, cherries—are protected by about a 20 per cent tariff from Spanish produce. But the fruit growers have already lost the canning market in France to Greek and Polish exporters. They fear that the fresh fruit market could be lost as well.

It is in large part because of the disruption that Spanish entry threatens to cause in the region that the Government has been giving it special attention. Under the new regional plans agreed between the Government and the local authorities, Languedoc-Roussillon has been granted more funds per head than virtually any other region in France.

President Mitterrand at his press conference in March linked Languedoc-Roussillon with Lorraine as another area also facing difficult economic problems. He has made a point of announcing that he will visit it shortly.

In political terms the region has traditionally voted left—a socialism tinged with the conservatism of the winegrowers and which also reflects the resentment of a distant province against the central (and often right wing) governments in Paris. But in the municipal elections in March 1983 the Communist run towns of Nimes, Beziers and Sete all fell to the right and the Socialists lost control of Carcassonne. The swing rightward continued in the European elections reflecting disenchantment with the Government and the wine and fruit growers' sense of betrayal over the about-turn in Socialist policy over Spanish entry.

Before the Presidential elections, M Mitterrand had been opposed. Now it is M Jacques Chirac, the leader of the neo-Gaullist RPR, who is the most vociferous opponent.

Languedoc-Roussillon
DAVID HOUSEGO

The heart of the Languedoc-Roussillon region is the wine growing belt that stretches from west of Montpellier to beyond Carcassonne, a market town dominated by its famous walled mediaeval city. But lumped on to this—though still under the regional authority—is the Catalan area around Perpignan and the eastern Pyrenees, the mountainous and depopulated department of Lozere and the pasture lands east of Castelnaudary. In other words the region is more of an administrator's concept than one defined by an economic or geographic unity.

As a result of the decentralisation introduced in 1982, Languedoc-Roussillon has like other regions drawn up a regional plan determining investment priorities in liaison with the Government and the five departments that come under its wing. The fact that M Robert de Capdeville, president of the regional authority, is both a Socialist and a friend of President Mitterrand has helped it to attract funds.

But the municipality of Nimes—the second largest town in the region which elected in March 1983 M Jean Bousquet, the head of the Cacharel textile firm as its new mayor after over 20 years of Communist control of the city—is scathing in its condemnation of the new regional authority.

"Decentralisation has resulted in investment allocations being increasingly politicised," says M Jean-Louis Olivier, who runs the Mayor's office. He accuses M de Capdeville of being "sectarian" and impeding projects favoured by Nimes.

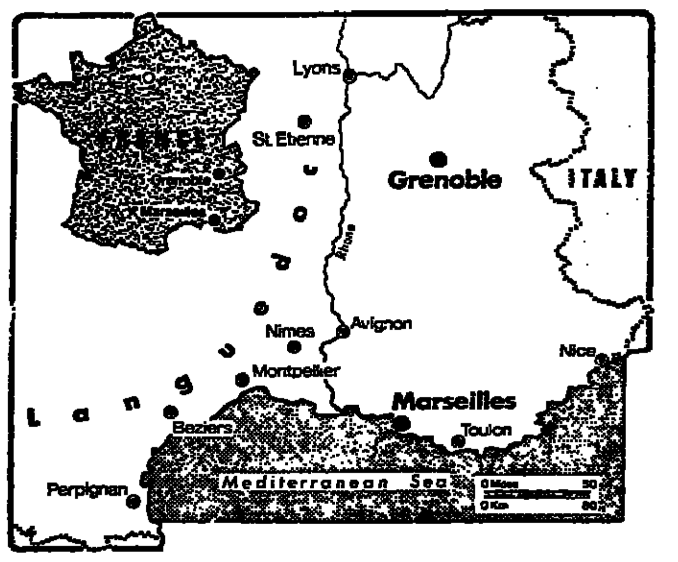
Behind these accusations lies both political differences and the long standing rivalry between the neighbouring towns of Nimes and Montpellier. Montpellier has prospered over the last 20 years nearly doubling its population to 200,000. It has benefited from being a university town, has attracted IBM which employs 3,000 locally and spawned several sub-contractors, is the regional centre for national organisations like Electricite de France, and saw both its wealth and population boosted by the return of the former French settlers in Algeria.

Nimes meanwhile slumbered under its unimaginative Communist leadership with a population of only 130,000. M Bousquet is determined to change this image of a stagnating Midi town. He has begun by organising a rash of festivals and cultural events that have put the town on the front page of national papers. He is also establishing closer links with Avignon, Orange and Arles—three towns of Provence all with a Roman past—to bring them together on a common tourist circuit. "Nimes is the beginning of Provence," says M Olivier, believing that it has closer ties in that direction than with the rest of Languedoc-Roussillon.

Nobody sees clearly what the region's economic future will be. The development of the Mediterranean coastline for tourism has now been virtually completed. The large infrastructure works that 10 years ago still employed large numbers on motorway or dam construction have also slowed down. Not much fresh industry has come to the area in spite of hopes that IBM would spin off a new "Silicon Valley." The unemployment rate is one of the highest in France though the figures are distorted because many people have seasonal work during the tourist season. The impact of Spanish entry on the fruit and wine growers has yet to be felt.

It is in part the fear of the unknown that Spanish entry constitutes that has exacerbated this year the often violent protests by the wine growers. They are divided, however, on how to respond to the challenge. Some are shifting to produce higher quality wines—establishing an international reputation for the Cotes de Languedoc and Roussillon. Those who have not invested in improving quality still believe that violence is the most effective way of forcing the French Government or Brussels into distilling the large quantities of wine that remain unsold.

M Chesa, Mayor of Carcassonne, which lies in the centre of the department producing much of the cheap wine, believes that the situation is "explosive." He could be right.



ENTERPRISE IN LANGUEDOC-ROUSSILLON

Success for fruit canning project

NEW INDUSTRIAL ventures have of late been rare in Languedoc-Roussillon. An example of the type of small scale enterprise that the region would like to encourage is the newly established canning firm of Condifruit at Pont Esprit on the north east border of the province.

Condifruit started up two years ago. Its turnover has since doubled to FFr 18m in 1983-84. As a privately held company, it does not disclose its profits. But because of its rapid expansion it has just boosted its capital from FFr 20,000 to FFr 2.8m. Among the new shareholders in the company is Soridec — a newly created regional investment set up specifically to help new industries.

The company was the brainchild of M Bernard Laguerre, a former employee of BSN, the large French food and drink company, and an associate. Two ideas were behind the project. The first is that South West France has a climatic advantage over other Mediterranean or northern countries in growing soft fruits—strawberries, raspberries, blackberries and myrtilles.

By contrast, Greece, Spain nor Poland can produce fruit such as peaches and apricots far cheaper and as a result have captured over 90 per cent of the French canned market in such products.

The second idea was to maintain continuous canning throughout the year by using frozen fruit and thus spread production costs.

Most European canning companies tin soft fruit only during the season thus incurring heavier production costs.

A major key to Condifruit's success has also been the substantial margins from which it has benefited in the French domestic market. The cost price for Condifruit of a kilo of tinned strawberries is FFr 6, while the company can place with them with wholesalers at FFr 11 a kilo. In Britain or Germany the equivalent sales price is FFr 7-8 francs a kilo.

"We have to make our profits in France," says M. Laguerre, and "sell what remains abroad."

In fact the French market is tiny. France only eats 1,200 tonnes of canned strawberries, raspberries, blackberries and myrtilles a year compared with the 15,000 tonnes of tinned raspberries and strawberries consumed in West Germany. Condifruit has a production capacity of 2,500 tonnes a year. Thus 60 per cent of output is currently exported.

M. Laguerre hopes by pushing domestic sales to reduce that proportion to 50 per cent.

It has established three storage depots at Lille, Nancy and Lyon as the basis of its domestic distribution and also close to its foreign markets.

For local producers, Condifruit provides an alternative and more stable market to selling their fruit fresh. It pays producers a little more than the going price but insists on high quality. M. Laguerre believes that it is only by emphasising quality that French canners can maintain a presence against competition from cheaper products in Southern and Eastern Europe.

A trend-setter in urban renewal

Grenoble region
DAVID MARSH

GRENOBLE, France's Alpine capital, proudly nurtures a reputation *par excellence* among the country's provincial cities as a political and economic trend-setter. Famed equally as the birthplace of French hydro-electricity during the 1860s and as the spectacularly modernistic setting for the 1968 winter Olympics, Grenoble has come to symbolise France's brash post-war dash for urban development and industrial renewal.

Now, 16 months after a landmark change of leadership in the city council after the Rightwards swing in the March 1983 municipal elections, Grenoble may be playing host—but without some apprehensions about the future—to another change of trend with nationwide implications.

In one of the biggest shocks of last year's council polling, the 18-year hold of the Socialist mayor, M Hubert Dubedout (now 61)—an urban reformer once tipped as Prime Ministerial material if M Francois Mitterrand ever made it to the presidency—melted away like spring-time ice on the surrounding ski-slopes.

In came an upstart from a new generation, M Alain Carignon, 35, a no-nonsense business-supported member of M Jacques Chirac's neo-Gaullists. The new major has brought in an almost Thatcher-style policy of cutting the municipality's interference in the local economy so as to attract investment and, eventually, boost jobs.

For all its flair as the mini-Silicon Valley home of thrusting research institutes and electronics companies, Grenoble is suffering badly from the recession.

Unemployment, in an area renowned nationally as a boom-town, is an unboom-like 8.5 per cent, only just under the national average of 10 per cent. New jobs created in electronics over the last few years have been outweighed by a tide of redundancies in construction, metal-working, paper and other traditional sectors.

It is precisely at this difficult moment that M. Carignon has chosen to put into action what he admits is a "delicate operation." A local dress rehearsal for what M. Chirac would like to put into effect on the national level, this is to roll back the Grenoble public sector (which altogether employs about 11,000 people) by trimming jobs in areas like hospitals and municipal services and returning some parts, on a case by case basis, to private hands.

Both the jobs cuts—through measures like early retirement—and reprivatisation will be made "without trauma," M. Carignon says. But the young mayor has already made a start in a particularly symbolic area by agreeing a plan for the Olympian omnisport hall, the Palais des Sports, to be run by a private company.

M. Carignon, now has collected a European Parliament seat in Strasbourg as a result of his comfortable local victory in last month's EEC elections, when he was 11th in the joint Opposition list headed by Mme Simone Veil.

Sitting in the white-walled space station-like mayoral parlour of the glass-and-marble Dubedout-built town hall, the moustached M. Carignon looks less cavalier and more worried than on his election posters.

Strongly supported by the local Chamber of Commerce (where he previously worked during years of effort to work his youthful way up the Grenoble political ladder), M. Carignon is determined to continue the Dubedout job of building up the city's metropolitan status—but, he hopes, at less cost.

The aim is to cut back annual municipal spending growth (which was running, he says, at around 15 per cent when he arrived) to zero by 1987/88, so as to cut the tax burden particularly on companies.

The first 10 years of M. Dubedout's rule, up to 1975, was "Grenoble's decade of elan," says M. Carignon. "Afterwards, the decline set in. My job is to provide a new head of steam."

M. Dubedout has now faded completely out of town hall politics. One of the reasons for his decline was undoubtedly electoral disillusionment with mounting social charges and taxes—claimed to be the highest in France—as well as the simple desire for change.

Shock defeat

The Socialist opposition, now only just recovering from the shock of defeat, denounces M. Carignon's list of new initiatives as "gimmicks."

They include a plan to attract companies to set up their national headquarters in Grenoble through the building of a "business centre" as well as a scheme for an international association of "Cities of the Future."

Towns which have been canvassed so far to join include Pittsburgh, Montreal, Perth in Australia, Lausanne, Munich, Vienna and Livingstone in the UK.

M. Carignon will be trying to use his new-found EEC Parliament role to push forward a project for a $100m European X-ray synchotron to be based at Grenoble's Franco-German-British Institut Laue-Langevin neutron scattering research laboratory. The plan—which could lead to a setting up of an international school in the city and generally further its world-wide research connections—"is very important for us," he says.

He also attaches importance to bringing the 1992 Winter Olympics to the Grenoble region. But he admits that the chances of staging another Olympics in France will be slim if M. Chirac, who is also the mayor of Paris, succeeds in bringing the main 1992 Olympic games to the capital.

Whatever his tilts at state intervention, M. Carignon will be relying on government funds to cover half the FFr 630m cost of a planned tramway system to ease the city's chronic traffic problems.

Other public infrastructure measures—such as a new Electricite de France dam project and the completion of the Grenoble-Valence autoroute—should help bring much-needed work "to stop the haemorrhage" in the region's construction companies.

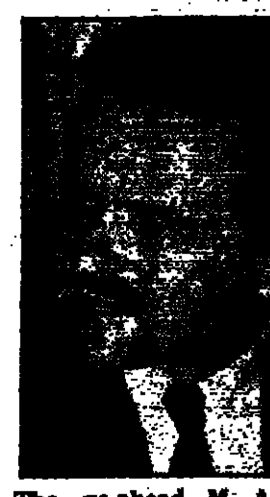
M Carignon, like M Dubedout for all but two years of his 18 year rule, has to co-ordinate financing for the city's infrastructure with a central Paris government of the opposite political hue.

A more direct problem in pulling in public sector investment however is that "we are considered prosperous — although we still have our problems," he says.

Like other areas such as Alsace which have traditionally enjoyed high rates of growth, the entire Rhone-Alps region generally is put near the bottom of the list for attracting development spending. In the Grenoble case, this has led to fears that, despite its evidently attractive industrial environment, state neglect could now spell the end of the post-war boom.

As a result of intensifying difficulties in the steel industry, Lorraine in eastern France, for instance, is being increasingly singled out for investment by nationalised companies. In two recent cases, involving new plants for the Thomson and Compagnie Generale d'Electricite groups, this has been to the detriment of Grenoble.

M Guy Aubert, director of Grenoble's magnetic fields laboratory which is part of the national CNRS research organisation, is one of the leading figures on the city's scientific scene. He himself is putting together a project to produce a new generation of Nuclear Magnetic Resonance hospital scanners, possibly with the backing of private money.



The go-ahead M Alain Carignon, Mayor of Grenoble, 35: he has now won a seat in the European Parliament in Strasbourg.

Struggling against an unhappy reputation

MARSEILLES on a sunny day in summer can give a most misleading first impression. The old harbour of France's second largest city after Paris is a Mediterranean picture postcard scene with its town hall, its fish market, its bouillabaisse restaurants. The region around the city, especially along the coastline, is some of the best Provence can offer.

Marseilles region
PAUL BETTS

But Marseilles is also a city with an unhappy reputation. And it does not take long to realise why. There is a sense of decay in the old city centre largely inhabited by Marseilles' huge North African immigrant population.

Crime and vandalism are a way of life. The shadow of the drug trade hangs heavily over the city.

Indeed, Marseilles has recently been called the "ville des affaires" because of its constant flow of scandals.

Politics in Marseilles are something special, too. For the past 30 years the port has been run by its veteran mayor M Gaston Defferre, the French Interior Minister. M Defferre has ruled over the city like a despot although his Socialist party has always been in electoral terms the weakest of the main French political parties. The secret of his political success is that M Defferre was seen by the right and the centre as the man who kept the Communists, until recently the leading local political force, out of the town hall.

The problems

In many respects, Marseilles magnifies on a local scale all the major problems and contradictions of the present economic and political situation in France. And it does so although the city and the region is more Mediterranean, some would say Levantine, than French.

The crisis of the restructuring of mature industries in France has hit Marseilles and its area as violently as it has hit the north-eastern region of Lorraine. But Lorraine has captured far more headlines of late than the southern port city.

"We are suffering from a process of de-industrialisation which is exacerbating our already heavy load of problems," remarked a local government official.

The ship-repair operations around the port of Marseilles are again caught in an economic storm far more alarming than the recession in the sector following the second oil shock in the late seventies.

The nearby shipyards of La Ciotat and La Seyne are threatened with more large scale lay-offs and, in the case of one of them, possible closure.

The pro-Communist CGT union organised an unauthorised visit to the La Ciotat yard for the local population and interested visitors.

"We want to show how this town depends on this yard, how modern and potentially competitive it is and what a tragedy it would be to see it slowly die," said a CGT official taking groups of visitors on a guided tour of the yard.

Even more dramatic is the situation at Fos, the vast and ambitious industrial complex built under the inspiration of General de Gaulle and then President Pompidou two decades ago.

Fos was to become a new major French steel and petrochemical pole providing eventually 150,000 or more new jobs in a region which has one of the highest unemployment rates in France.

"Unemployment in Provence running at 13.4 per cent is higher than in Lorraine," says M Michel Pezet, president of the regional council.

But Fos was never completed. It has provided no more than 20,000 new jobs and none of the transformation industries that would have given the region a lasting local industrial base. Moreover, the big industrial complexes, the petrochemical plants and the steel works, have been hit by the recession.

What is more, Ugine Fos, one of the most modern special steel plants in France at Fos is due to be closed as the southern victim of the government's tough steel industry restructuring plan.

Politically, these restructurings have been translated in the declining local electoral performance of the Communists and the Socialists.

M Defferre could no longer keep the Communists out of the local administration after the French left came to power three years ago and President Mitterrand decided to associate the Communists with the Socialists in government. This and the local impact of the Government's economic austerity programme nearly cost M Defferre his throne in the town hall in last year's municipal elections.

It is also no coincidence that the extreme right National Front scored one of its highest votes in the European elections in June in the Bouches-du-Rhone department embracing Marseilles.

The National Front, which emerged as the big winner of the recent elections in France and a potentially major new political force in France, polled 19.5 per cent of the vote in the department. This was more than the Communists who could only muster 17.9 per cent compared with 30 per cent in the European elections five years ago.

The Communist Party's association with the Government's economic policies clearly cost the party votes locally. But the National Front and its leader, M Jean-Marie Le Pen, drew popular votes away from both the traditional right and the Communists by campaigning on such emotional issues as race and law and order.

M Le Pen scored 11 per cent nationally in the European election. His much higher performance in Marseilles clearly underlines the area's immigration, economic, and social problems.

But it would be equally misleading and superficial to regard these political factors as simply confirming the Marseilles cliche of the Chicago of the Mediterranean just as that other large port of Naples is often (and unfairly) called the Calcutta of the Mediterranean.

Marseilles has big handicaps but in the past 30 years under M Defferre serious efforts have been made — with some success —to develop and modernise the city and its region.

"You are either for or against the mayor. That's how it is in Marseilles," says a member of the Right-wing opposition. "But even though I don't like M Defferre, I must agree that it needs a strong man to run a city like this one."

Long search

In the face of its barren industrial landscape and the crisis of its traditional industries including, among them, the very harbour, Marseilles has been searching for a way to bring back to the area some economic prosperity.

It has sought to establish strong trading ties with North Africa and the Mediterranean basin in general.

More ambitiously it wants to see high technology industries emplant themselves and develop in the region.

One of the major themes of the Government's economic and industrial policy is the modernisation of French industry and the development of high technology growth sectors.

In this respect, the choice of Marseilles fits in with the overall policy of the Government.

"What other choice do we have?" remarked a local official, adding "these days you can't create jobs by building big industrial complexes. It's simply not realistic. You won't resolve the unemployment problem with new enterprises employing 600 to 700 people but with small businesses employing 15, 20 or 30 people."

The main new industrial project is to build a science park in the Chateau Gombert district of the city. This would be what the French call a "technopolis" linking universities, researchers, and enterprises in high technology fields to encourage the development of the equivalent of a French Silicon Valley.

World Trade Centre opens at last

IT TOOK more than ten years to complete. But finally Marseilles has officially opened its Mediterranean World Trade Centre designed to help revitalise this ancient port city and promote trade relations between Marseilles, France and ultimately northern Europe with the countries throughout the Mediterranean, North Africa and the Middle East.

It is also significant that one of the reasons why the building for the Mediterranean trade centre took so long to finish was that as construction was taking place the ruins of the original Greek harbour of Marseilles were unearthed.

Barely a hundred yards from the fish market at the end of Marseilles harbour, the new trade centre towers over the remarkable archeological site of the ancient Greek harbour. Apart from anything else, it makes an eloquent statement of the commercial and trading tradition of Marseilles.

Marseilles grew rich during the French colonial period on its trade with the French African colonies, the opening of the Suez canal, and its local soap industry and oil mills.

With its trade centre and an active policy promoted by the local authorities, the city is now seeking to restore its commercial and trading links with the French speaking North Africa countries, the Middle East and its other Mediterranean neighbours. The new trade centre is an integral part of this strategy.

M Jean Notin, the director of the centre, explained that the essential goal of the centre was to specialise in Mediterranean trade and North Africa. To this end, the centre is developing a major data bank to provide information on all aspects of North African and Mediterranean markets.

At the same time the centre is gradually grouping under the same roof major French trade institutions and banks. M Notin says this will make it much easier for businessmen in France to conduct operations with North African and other Mediterranean countries.

"It used to take weeks to get through all the necessary red tape. Now a businessman finds all the major institutions he has to go through in the centre from the export credit insurance agency to the French customs. He can complete his paper work in one day if not a morning," M Notin added.

But the idea is not only to facilitate business transactions of local businessmen. The trade centre is hoping to become an important link between the southern Mediterranean countries and the north of Europe and eventually the U.S. market.

To this end, the trade centre has also been designed to accommodate the most modern French telecommunications technology.

Indeed, the French post and telecommunications authority (PTT) has a show case of all its latest technologies in the centre including videoconferencing, videophones and all the rest of the French telematic and telecommunications high-tech arsenal.

M Notin believes that the future development of major trade centres will rest on the telecommunications and electronic facilities a centre can offer.

"I think it is very important for a trade centre to be completely up-to-date in these services," he says.

This high technology emphasis on the centre is also part and parcel of the broader strategy for the Marseilles region to develop new growth industries in the area. These industries would help revive a region which has so far suffered heavily from the recession and its own structural problems.

To symbolise this new high technology vocation, M Notin is even contemplating opening up a snack bar in the Mediterranean trade centre where patrons would be served by robots. But the old ways of Marseilles are difficult to rub off. Although the world trade centre has already made a major contribution in the city's efforts to reconstruct and restore the decaying business district around the old harbour of Marseilles, the modern passage ways with their arcades are already providing a welcome new shelter for the down-and-outs of the city.

Key centre for research

THE FRENCH Government over the last year has made an ostentatious re-discovery of the need for closer links between research institutes and business to foster high technology jobs. Grenoble can say it learnt the lesson at least a decade ago.

Accompanying the leap in Grenoble population since the war from 80,000 in 1945 to 400,000 now, the city has seen an unparalled sprouting of research establishments and electronics companies. This makes it France's most important high-tech centre outside Paris, with about 10,000 jobs in the electronics sector.

The Commissariat à l'Energie Atomique, which chose Grenoble in 1956 as the site for its biggest provincial research establishment, has played a major role in stimulating links between the corporate sector and the research world.

The CEA's electronics development offshoot LETI, housed in a new research building on the site of Grenoble's Nuclear Centre, has provided a steady flow of technical help, licences and personnel to outside companies.

The CEA also gave birth at the beginning of the 1970s to Efcis, now owned by the Thomson group, which represents one of the leading players in France's efforts to boost integrated circuit production.

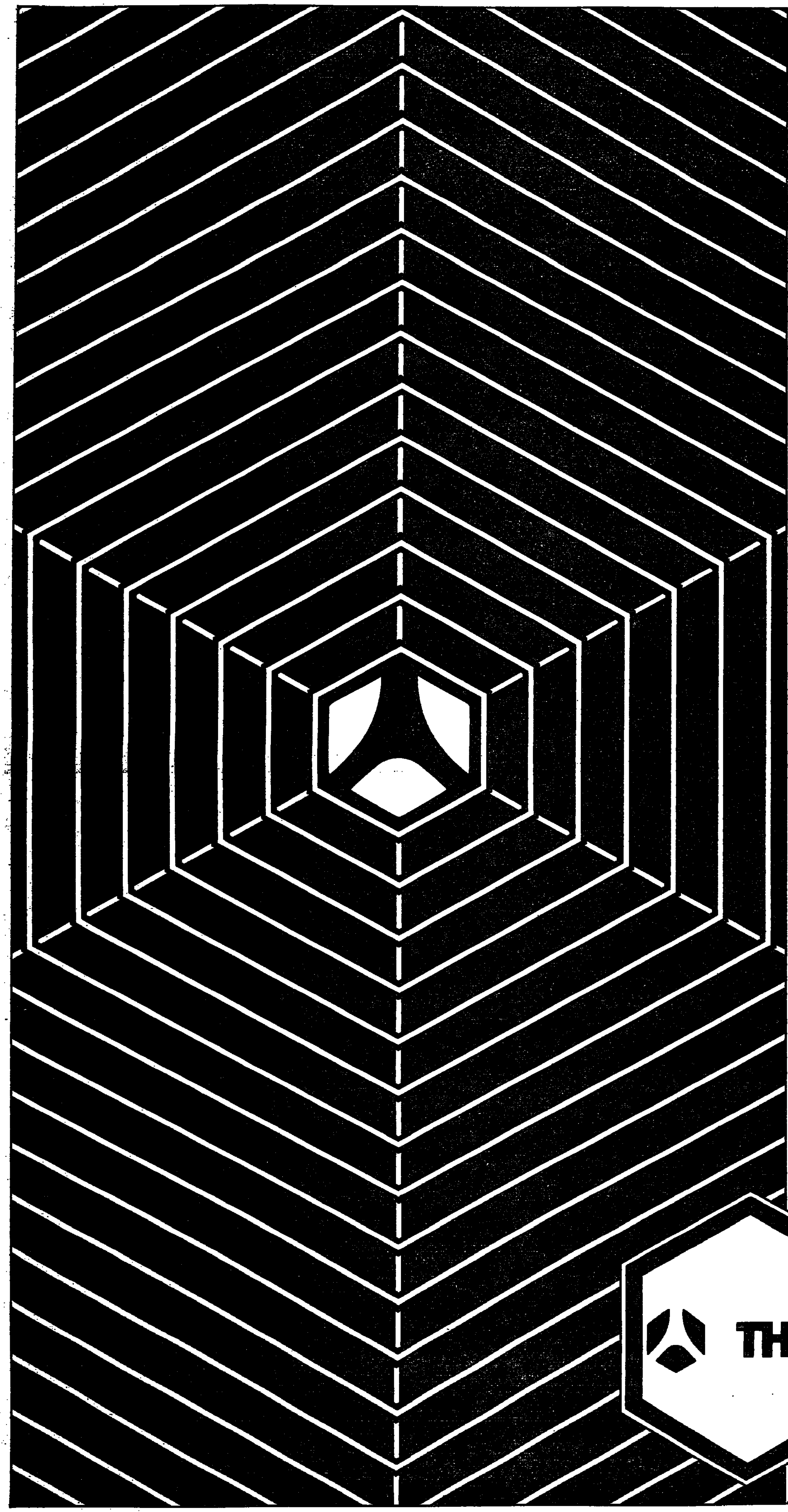
M Joel Monnier, the Efcis director who is presiding over a five-fold build-up of semi-conductor output compared with a year ago, started his career with LETI and joined Efcis after a spell at Texas Instruments.

Efcis, which aims to make profits in 1985 after several years of losses, has just reorganised output on the basis of 24 hour working seven days a week—a rare enough example in France of American style production techniques, comments M Monnier.

The CEA also joined in 1979 with state-owned chemicals Rhones Poulenc to set up semi-conductor material company Crismatec, based on high performance crystal production methods. Adding to the city's information technology infrastructure is the third European factory of U.S. computer group Hewlett Packard and the integrated circuit research centre at France's National Telecommunications Laboratory CNET.

Grenoble's principle innovation attracting most current interest is, however, its Industrial Science Park (the Zirst) set up on a 160-acre site at Meylan 5 kms from the city. Aiming to offer the same environment for science-based companies as the celebrated district along Highway 128 near Boston, the Zirst now provides a home for 95 different companies providing employment for 3,000 people.

Leaving aside 900 jobs at the Merlin Gerin electrical engineering group and 300 at CNET, 1,800 are spread among small companies, many of which have been formed by researchers leaving local university facilities and institutions.



Uncertainties hang over financial system

"At the moment, the nationalised banking sector finds itself in a situation of fragile status quo. But in the long run, the state is certainly not the best shareholder to resolve the *two* problems faced by the banking system: the lack of capital and the challenge of future (structural and technological) changes."

Banking and finance

DAVID MARSH

This excerpt from a generally highly critical report, published last month by the right-wing dominated French Senate, illustrates the uncertainties hanging over the banking system which persist 2½ years after the sweeping extension of public ownership in February 1982.

The Socialist Government's intention, carried out in the haste of President Mitterrand's 1981 election victory but long-nurtured during the Left's 23 years in opposition, was to shake up France's banking structures and make the banks more responsive to the needs of individual and corporate clients.

The shake-up has certainly been carried out, although it has gone much less far in the direction of overall state control than some of the Government's left-wing supporters (the Communists, above all) would have liked.

Many of the 36 commercial banks and two financial holding companies (the Paribas and Suez groups) nationalised in 1982, have undergone important structural changes, in some cases to repair the consequences of past management errors, in others to alter their course of action towards areas like helping support small businesses.

In general, both the newly-nationalised institutions and the big three banks already in state ownership since 1945 have been drawn more closely into the mesh of government machinery traditionally in action in France for bailing out companies in difficulties and fulfilling other state-ordained aims such as promoting exports or helping finance the budget deficit.

But they have avoided becoming mere appendages of the Government in its efforts to pour financial balm on recession-hit French industry. As the Senate report itself pointed out—and as nationalised bank executives say with a relieved shrug of their shoulders—a wholesale revolution of the banking system has not been, and seems unlikely to be, put into motion.

The overall fall in banking profits since 1981 (although they rose slightly last year compared with 1982) would no doubt have taken place anyway.

The banks, particularly the big three and the largest institutions taken over in February 1982, have in general been *protected from the worst consequences* by a series of factors. These are the quality of their new chairmen and continuity in other senior management, the Government's need to maintain standards of banking prudence to reassure foreign creditors and, most important, the overall shift in policy towards economic "realism" after the belt-tightening measures of March, 1983.

Consequences

As befits a move which was largely political in motivation, the positive economic effects of the nationalisations, such as they exist, are bound to be scattered and intangible. The negative consequences have, however, over the past two years come all too visibly to the fore.

This has stoked up passions among those in the right-wing opposition calling for prompt de-nationalisation after the next elections. Seasoned bankers who lived through the nationalisation drama, led by M Pierre Moussa, the ex-chairman of Paribas, have warned against over-hasty returning of the banks to private ownership in order to avoid repeating the dislocations from which they have suffered in the past three years.

Daniel Deguen: his dismissal as chairman of the newly-nationalised Credit Commercial de France (CCF), can be seen as a warning not to overstep the mark in independent-mindedness

De-nationalisation, perhaps progressively by step-by-step re-entry of private capital through share issues on the bourse, is certain, however, to remain a hot political topic during the run-up to the 1986 and 1988 elections—and may be inevitable even under a moderate form of Socialist-led government.

Certainly, M Mitterrand and his ministers now pay lip service to the idea of lessening state control throughout the economy in order to speed up and improve decision-making. This is needed especially in an area like banking, vitally affected by world-wide competitive pressures caused by financial market deregulation and introduction of sophisticated electronics.

Recent decisions affecting the banks have hardly given bankers unshaken confidence in their autonomy. During the latest few weeks of feverish negotiations on the future of Creusot-Loire, the Government, it is true, has refrained from the twisting of bankers' arms which accompanied previous rescue packages (and was also a tradition in France under the previous government).

The abrupt dismissal announced last month of M Daniel Deguen, a former top Treasury official who had been chairman of newly nationalised Credit Commercial de France (CCF) since May 1982, *underlined that the Governmet will* tolerate only a limited amount of independent-mindedness.

M Deguen was selected for removal not because his bank had been performing especially badly nor because of excessive outspokeness. *He* had complained about regimentation by the Treasury in connection with the previous Creusot-Loire bail-out agreed last autumn. But other bankers such as M. Jacques Mayoux of Société Générale have been more publicly critical of using bank funds to support improperly conceived industrial restructuring.

Rather, as a figure whose disappearance would not cause too much of a stir in foreign financial circles, M Deguen was replaced (in a decision made by the Elysée rather than the Finance Ministry) as a warning to other chairmen not to over-step the mark. The next few months will show whether they have received the message.

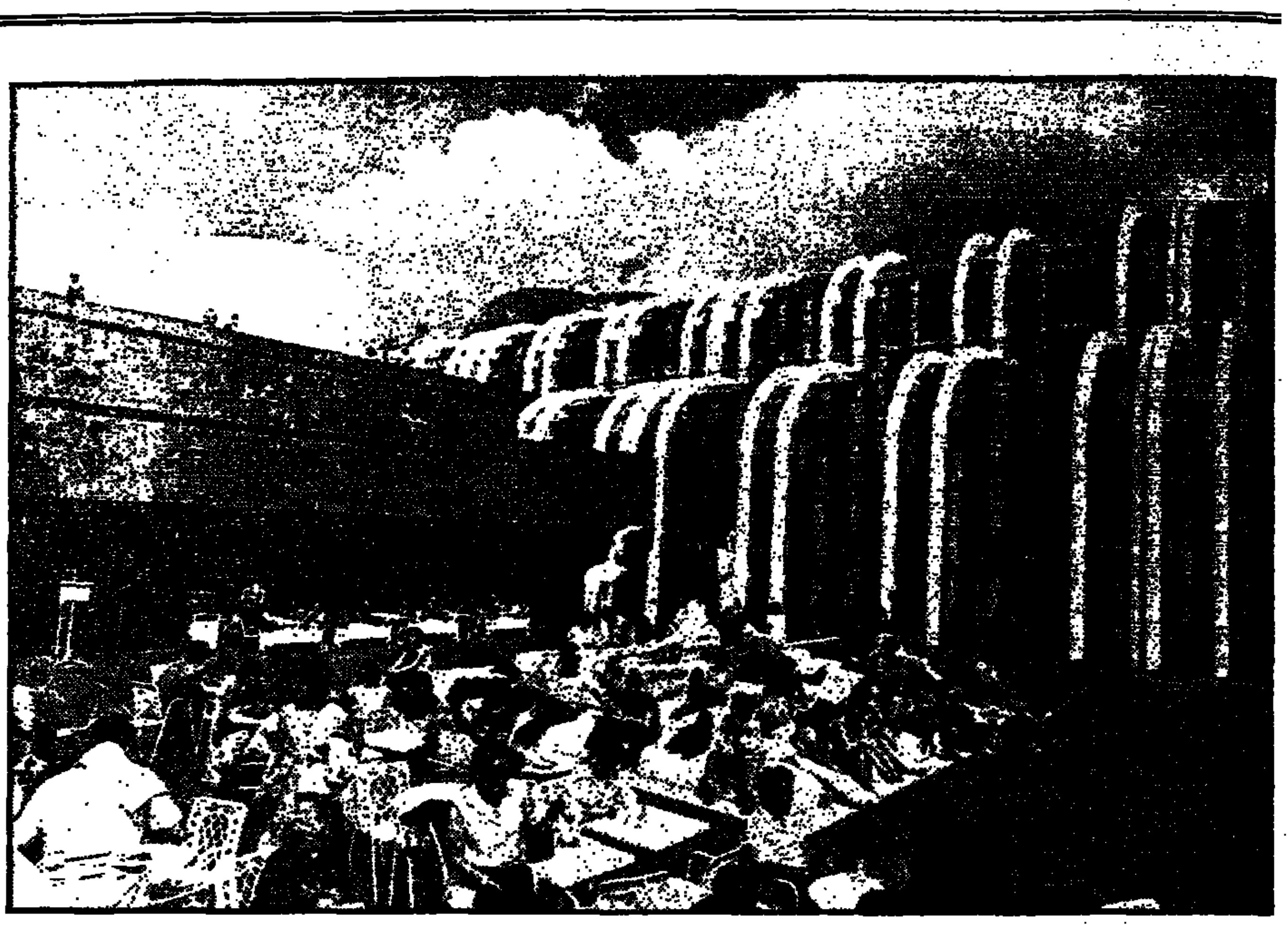
Compared with the ideological question of state interference in the economy, a much more pressing *reason for re-introducing private capital* into the banks is simply to alleviate their own financial positions—and, indirectly, the state's. Indeed, the Government has already taken a step in this direction by allowing some *nationalised banks, led by* Banque Indosuez and CCF, to approach the bourse this year to raise non-voting loan stock (Titres participatifs—halfway in character between bonds and equity).

With the benefit of hindsight, the Government now sees that some of the banks taken over in 1982 were nationalised on ludicrously generous terms to shareholders. They include Banque *Rothschild (now Européenne de Banque)*, Banque Vernes, and Banque de l'Union Européenne. These three have suffered large losses during the last two years and have had to be propped up through injection of scarce funds from the Government and other financial institutions.

Lower levy

Faced with the need to strengthen the banks' balance sheets to allow room for much-increased provisions on foreign and domestic risks, the Government has had little choice this year but to lower slightly its levy on the banks' profits in the form of dividends and payments to the Nationalisation Compensation Fund. This fund, financed mainly from the budget, has paid out FFr 12bn alone to former shareholders in nationalised banks over the past three years.

The state, burdened by the need to finance losses and support investment among the industrial companies taken over in 1982, clearly has no cash to spare to boost capital among the banks. The big three, having received no extra equity from the state since 1945, are used to this treatment, and have developed ingenious ways of retaining earnings (practised particularly for 1983 by Banque Nationale de Paris) to compensate for lack of share capital.



The transformation of Les Halles in Paris proves popular with the tourists on a shopping spree

A major role in the economy

Tourism industry

PAUL BETTS

WHICH SECTOR of the French economy employs more than 1.5m people directly or indirectly; produces a foreign surplus of FFr 22bn a year and a further FFr 6.5bn in annual exports of equipment and know-how; and accounts for between 9 per cent and 10 per cent of French gross domestic product? The answer is not the car industry nor the oil industry and certainly not the steel industry.

Surprising as it may seem, it is the tourist industry.

The major role tourism plays in the French economy, however, has often been taken for granted. It took the Government's decision to impose (and later lift) a battery of new additional foreign currency controls last year to send representatives of the tourist trade and travel agencies demonstrating for the first time in the streets of Paris.

The new credit controls, *including a foreign travel limit* of FFr 2,000 per adult a year, were part of the Government's efforts to introduce an economic policy of austerity after an initial and unfortunate socialist experiment in economic expansion.

The demonstrations by the French travel trade brought together a profession that has traditionally been very scattered, relatively badly organised given its overall weight in the economy and suffering from a sense of general indifference.

They also helped, it seems, draw greater attention on the part of the authorities on the problems and importance of an industry which could clearly play an increasingly important role in the country's economy in the future.

A report just published by the French Economic and Social Council, the State economic advisory institution, draws attention to the potential of the tourist sector for the French economy. The report was put together by M Gilbert Trigano, one of the world's authorities on tourism and chairman of Club Méditerranée, the leading French holiday operator. M Trigano has also acted as one of President Mitterrand's advisers on industrial problems.

As one of the main so-called service industries, tourism is bound to grow in future years. M Trigano points out in the report that the future development of industrialised countries will probably be centred on the high technology and services industries.

But M Trigano's report also warns that the French tourist trade is at a crossroads and that the country must not on any account risk missing the future evolution of the trade.

Rapid change

"The tourism environment is evolving very rapidly; the habits of tourists are becoming more diversified; international competition is becoming more intense; new technologies are appearing on the scene. Tourism can thus no longer develop without a real strategy," says the Economic and Social Council report.

A new realistic strategy for the sector will above all imply a stronger effort by the French Government to promote the country's tourist trade. In the *past 12 months the foreign* balance of the industry has been boosted both by the strengthening of the U.S. dollar against the franc (hence encouraging more Americans to visit France) and by the foreign currency controls subsequently abolished.

Nonetheless, the surplus at FFr 22bn last year was significant. Sales of French tourist equipment and know-how abroad earned the country an additional FFr 6.5bn more than doubling from FFr 3bn five years ago.

At a time when the government *is seeking to encourage* French export performance to reduce the trade deficit and bring it back to balance next year, the practical support given to the tourist sector appear grossly inadequate.

The tourism budget itself accounts for only 0.027 per cent of the total French state budget. If all the expenditures connected directly or indirectly with tourism by the various French ministeries were added, the total would only still amount to 1.4 per cent of the overall state budget.

There are some even more eloquent statistics of the dearth of state support. The French government last year spent only US$5.2m to promote the domestic tourist industry.

Compared to the French $5.2m, West Germany spent $13.5m to promote tourism last year, Greece spent $12.5m, Italy spent $12.2m, Spain, the UK, and Switzerland all spent more than $9m each and even Belgium spent more with $5.7m last year.

Moreover, France spends less *than its main competitors* to promote tourism in its key foreign markets.

In the U.S. last year, the French authorities spent a meagre $380,000 compared with $2.2m by the UK, $1.4m by Ireland, $1.3m by West Germany and $1.2m by Spain.

In West Germany last year, France spent FFr 1.5m on promotion while Italy spent the equivalent of nearly FFr 10m.

M Trigano has suggested an *original idea* to help promote French tourism more effectively abroad. This would involve a so-called "carnet de tourisme" or special tourist promotional book whereby if a foreign national bought in his own country a French product he would receive a credit in his special book. He could thus accumulate a series of credits offering him discounts on a holiday in France.

Challenges

But a more adequate level of promotion and financial support is only one aspect of the problem. The French tourist profession must also become more industrially minded. Although the sector gives employment to more than 1.5m people, about 80 per cent of tourist enterprises employ ten people or less.

To meet the challenges and changes of the future, many of these enterprises may have to be regrouped in one way or other to achieve necessary economies of scale.

Moreover, the new communications techniques will have to be increasingly introduced in the sector as a whole to make it competitive. At the same time a greater linguistic effort will have to be made by the trade, especially with the English language.

The current policy of decentralisation in France is likely to represent a big boost for the tourist industry. This policy—one of the major components of the government's Ninth Plan and a major commitment of the Mitterrand administration—is designed to give slowly greater *autonomy to the regions* on their local affairs.

In the case of tourism, this could translate itself in an increased awareness at local level of a region's tourist potential. And there is no shortage of beautiful regions in France, all with their own different personalities and characteristics.

Bold project on a massive scale

TV cable programme

PAUL BETTS

"I THINK it's quite appropriate that we should be launching this experimental cable television network in a casino," remarked M Louis Mexandeau, the French Post and Telecom*munications (PTT) Minister*, during the official presentation of the experimental cable project at Biarritz, the "belle époque" summer resort in south-western France.

During the presentation of the Biarritz network and its videocommunications services, M Mexandeau gave a dramatic demonstration of the videophone by holding a public telephone conversation with President Francois Mitterrand who could be seen talking on the screen connected to the videophone.

The Biarritz network is a trial optical fibre cable system which will soon provide interactive sound and video services to 1,500 local subscribers. These services range from television programmes to a wide variety of telecommunications applications like access to an electronic directory and direct video communications with shops and other local services whereby a subscriber can see on a screen and speak directly to a salesman, among a host of other services.

But the Biarritz optical fibre test programme is an expensive, some would go as far as calling it an extravagant venture. By the time it is completed, it will have cost about FFr 600m to wire up a meagre 1,500 local residents. But it is also an integral part of the huge gamble the Mitterrand government has decided to take by launching a nationwide programme to cable France with optical fibres.

President Mitterrand gave the green light for what is un*doubtedly the most ambitious* programme of its kind in Western Europe a few months ago. The nationwide optical fibre programme is expected to cost between FFr 45bn to FFr 60bn during the next 15 years. And it is designed to bring to the country not only new multi-channel television services, but set the foundations for the development of a whole new generation of telecommunications services.

Risky schemes

The gamble France is taking is that it is opting for a radi*cally different approach* from other European and North American countries, which have either proceeded cautiously with state-backing or allowed private sector money to develop networks under franchising systems.

The French socialist government in classic interventionist or dirigiste approach, have decided to go ahead with a far bolder and risky scheme.

Some critics are already asking whether the cable programme will not turn out to be another "Concorde." It certainly fits in the grand tradition of centralised French industrial restructuring and planning to create a French electronic and computer industry, an autonomous telecommunications industry, and give France a strong position in new growth sectors.

But the various ambitious computer programmes have, on balance, been failures, whereas the telecommunications programme, with the latest mammoth restructuring launched last autumn, has proved more *successful*. However, even though France has developed its own domestic digital switch and so-called telematic technology in its telecommunications industry, the costs have so far exceeded the commercial expectations of these ventures.

The French cable system will be heavily financed by the telecommunications arm of the PTT. That was the price for overall control by the French telecom authority of the wiring and ownership of the new optical fibre networks, which in turn will be operated by so-called "mixed economy" joint ventures bringing together public and private interests.

The French telecom authority is already financing the French electronic industry. As a result, its traditionally cash rich finances have started to come under pressure. Indeed, for the first time the telecoms lost money last year.

Under the *circumstances*, questions are already being raised on how the ambitious cable programme will be financed, especially in view of the *fragile financial nature of* the television cable business in general.

Many local authorities would have preferred to be able to chose between the expensive optical fibre solution and the less expensive traditional coaxial copper wiring systems. But the PTT would have nothing of it. Their argument from the start has been that France must opt for the technologically most advanced solution.

The PTT *claim* that cable networks limited to television and sound services are ultimately economically unviable. They point to the recent experience in North America where after an *initial frenzy* and boom, a major shake-out is now taking place in the industry.

"It is now clear that achieving a satisfactory rate-of-return or even just breaking even, is difficult if cables carry only TV channels," the PTT recently argued in a paper devoted to the issue.

Services

"What holds for the vast U.S. market is even more true for a country like France. The solution is for the cables to also carry a wide range of interactive distribution services and switched telecommunications services."

Despite the Government's commitment to go ahead with its optical fibre cable programme, the plan still faces some major political hurdles. *Apart from continuing* opposition, especially from the mayors of Right-wing held local authorities keen to have greater control on the local cable networks, cable is also competing against a mass of other communications lobbies.

The powerful French film industry, which played a key role in preventing the first French attempt to develop cable systems in the 1970s, views cable television with apprehension and misgivings.

The traditional French national television networks also feel challenged, although they are all trying to develop services for the cable industry in order not to be left on the sidelines.

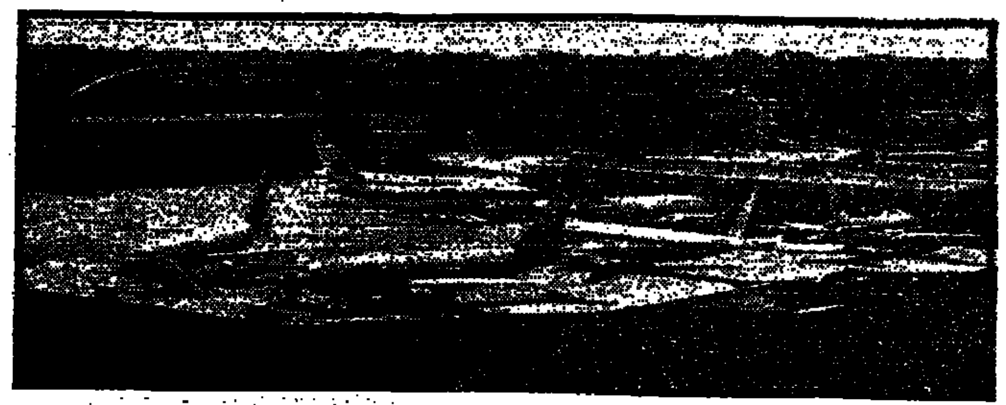
Then there is the satellite lobby where there are also important industrial interests at stake. France *has recently decided to go ahead with its* direct broadcasting by satellite programme (*TDF-1 as it is* called). The government says that satellite and cable are complementary, *but it is already* clear that they will also be competing head on.

Already there are fears this could lead to restrictive new legislation and regulations that could hamper the development of cable television networks and programming. These fears come on top of growing doubts about the eventual ability of the networks and programmers to supply the necessary demand for new programmes if subscribers are to be persuaded to pay for the new services.

"The way I look at it is that this programme is the equivalent of a major national infrastructure investment like building a railway system or a national motorway network," says M *Antoine de Tarle*, assistant managing director at the French national television station TF-1.

M Tarle has followed the cable industry from the start in France and is now working to develop his station's presence in the new industry. He explains that the Government is adopting a long-term approach to cable.

"We are building for the future," although he acknowledges the future of the French optical fibre cable programme is also a calculated gamble.



Airbus Industrie's flight line at Toulouse: A300 and A310 aircraft are tested here prior to delivery to airlines

Fanfare for world's first 'spaceline'

Aerospace projects

DAVID MARSH

ARIANESPACE, the French-led company owned by a variety of European shareholders and set up to commercialise space launches by the Ariane rocket, has been properly in business for just over six weeks. But it has already had its fair share of excitement.

Amid a brash fanfare marking the inauguration of what the company calls the world's "first commercial spaceline," a communications satellite, Spacenet-1, owned by the U.S. electronics company GTE, was placed into orbit in a perfect lift-off over the Atlantic in the early hours of the morning of May 23.

The launch, Ariane's seventh successful flight in nine lift-offs, was the first to be arranged by Arianespace under purely commercial conditions.

It also marked the first time a U.S. spacecraft has been placed in the heavens using anything except an American launcher. And, most importantly, it represented a decisive shot in Europe's long-standing goal of challenging U.S. dominance in the commercial exploitation of space.

The latest mishap of the U.S. space shuttle last month, when a questionable fuel valve aborted take-off of the Discovery's maiden flight, has added to a tangible mood of self-confidence among Ariane's European backers. The lead of France, which has provided more than 60 per cent of the $1bn ploughed into the rocket's development, has played a vital role. And France, through the national space agency CNES and the state-owned aerospace concern Aerospatiale, is again assuming a dominant part in the now-agreed European programme to build a heavy-duty Ariane-5 rocket for the 1990s for lifting men and materials into planned permanently-orbiting space bases.

When France provided the impetus behind the beginnings of the Ariane programme 10 years ago, the aim was simply to provide European governments and companies interested in satellite launches with an alternative space vehicle to U.S. rockets—in order to avoid the familiar problem of an American technological monopoly.

So Ariane has surprised even its backers by becoming a head-on competitor with the Americans for satellite launching orders on the international as well as the European markets.

The order agreed last month for a 1986 Ariane launch for the U.S. communications company partly owned by IBM, Satellite Business Systems (SBS) provides a case in point.

The order was won in competition with Transpace, the U.S. company formed to market satellite launches on the Thor Delta rocket. This came after SBS specifically decided against considering the space shuttle for the launch because of the Nasa vehicle's string of problems this year.

French space planners are the first to agree that the space shuttle, conceived for manned operations in low earth orbit, is a far higher performance machine than the expendable Ariane. But today's commercial satellite-launching business is almost entirely geared to placing craft in geostationery orbit 36,000 km above the earth.

Now that Ariane's earlier teething problems which caused two crashes in the rocket's first five launches appear to have been sorted out, this is a job which the European rocket can carry out with equal reliability compared with the space shuttle —and at much lower cost.

The undoubted subsidy element in the Ariane programme, where prices charged to satellite customers do not take account of government-funded development costs, sparked off a formal allegation of unfair pricing last month from Transpace, piqued at losing the SBS deal.

Arianespace however was able to respond—in a riposte which is not unfamiliar in transatlantic sparring over trade subsidies—that the real culprit in the matter is Nasa, which recoups only a small fraction of launch costs from the prices it charges to space shuttle customers.

Expansion plans severely hit

Nuclear energy developments

DAVID MARSH

THANKS TO the far-sightedness and drive of French nuclear technocrats during the 1960s and 1970s—and the lack of administrative and judicial obstacles placed in their way—France now has an atomic energy industry which rivals the U.S. in international competition.

From its position of technological laggard during the 1950s compared with the war-time atomic collaborators, the U.S. and Britain, France has leapt ahead to the forefront of nuclear development.

With 38 nuclear power plants installed (of which 30 are pressurised water reactors, although some are not fully operational and work ahead on another 24 PWRs started between 1976 and 1983, France's N-plant "park" is the world's second largest after that of the .SU.

Installed capacity in commercial operation at end-1983 was 25,650 MW against 63,050 MW in the U.S., but ahead of the Soviet Union with 19,280 MW.

Opposition

Unlike most other industrialised and developing countries, where nuclear expansion plans have been severely hit in recent years by opposition movements, safety worries, construction delays and soaring costs, France's nuclear capacity today shows only a modest slippage compared with plans drawn up five or six years ago.

With 48 per cent of electricity last year produced from N-plants, France has the higest proportion in the world of nuclear-generated domestic electricity (against 17 per cent for British and 13 per cent in the U.S.).

The share is due to rise to 75 per cent by 1990, and already during the first four months of 1984 it jumped to 62 per cent. This follows Electricité de France's efforts to accelerate phasing out of fossil fuel-burning power plants so as to maximise capacity use of the nuclear network.

Even on relatively optimistic economic growth assumptions, and supposing too that EdF succeeds in its vost campaign launched last year to increase the penetration of electricity in French industry, France by 1990 faces the clear prospect of overcapacity in its nuclear "park."

By the end of the decade, as a result of completion of plants already embarked upon, nuclear generating capacity will rise ineluctably to around 56,000 MW. Critics of the "disproportiotate" nuclear programme (of whom there are not many in France), such as the Socialist-leaning CFDT trade union, claim that by 1990 France may have as many as 15 full-scale N-plants in excess of requirements.

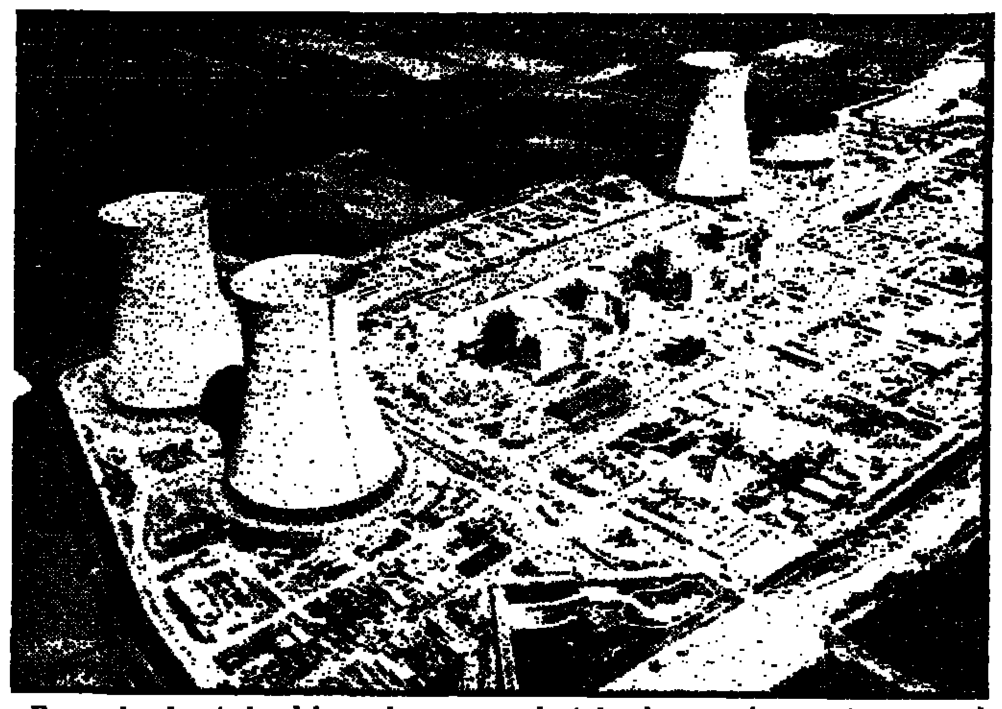
For the nuclear planners at EdF, the challenge is to turn this surplus to France's advantage by increasing exports through cable links to neighbouring European countries (including the UK), and perhaps also by persuading foreign electricity utilities to take direct stakes in French N-plants.

Of prime competitive importance is the relative cheapness of French nuclear power. In spite of the strong build-up of EdF's debt charges, the economies of scale available in a smooth-running programme of France's size has enabled electricity tariffs to be held well below levels in other EEC countries and the U.S. EdF hopes for tariff cuts in real terms in coming years.

The comparative cheapness of French N-plant construction costs—around 30 per cent below those in West Germany, for instance, according to EdF estimates—is also a major trump card in the French industry's attempts to gain ground on international markets.

France opted for an American-based PWR design at the end of the 1960s — following long-drawn-out squabbling whether to choose the "indigenous" French natural uranium, gas-cooled reactor type as the basic model for the N-programme. So, ironically, the country during the 1970s grew towards nuclear independence as a licensee of Westinghouse, which owned an initial 45 per cent stake in France's PWR construction company Framatone (now owned 50 per cent each by the Commissariat à l'Energie Atomique and Creusot-Loire).

Since 1982, Westinghouse's residual stake in Framatome has been sold and the licensing accord has expired. The first "all-French" PWR, built at



France has leapt ahead in nuclear power plant development in recent years, and now has the highest proportion in the world of nuclear-generated domestic electricity

Chooz in the Ardennes where two 1,450 MW units are planned, is now at an early stage of construction.

With a tally of around one-quarter of the admittedly very modest total of international N-plan deals agreed during the last few years, Framatome hopes its experience in refining Westing house technology—and, just as important, in actually running a large nuclear uark—will provide a crucial trump card on export markets.

A key export candidate is Belgium, where France recently succeeded in "dethroning" the country's long-standing connection with Westinghouse by securing the right for a half-share in construction of the next Belgian N-plant. Framatome hopes for a firm decision soon from China for two 900 MW units at the long-discussed Guangdong power plant.

It is resigned, however, to a long wait before interest from a string of other potential buyers in industrialised countries and the Third World is turned into firm orders. A key issue in coming years may be whether still-strong U.S. non-proliferation concerns — demonstrated recently in the cloud over the Chinese nuclear agreement secured during President Reagan's trip to Peking in April—give France a comparative advantage in securing contracts not only with the Chinese but also with "threshold" nuclear countries such as Pakistan or Iraq.

The most tangible sign of France's boosted nuclear muscle comes not on the dormant international reactor-buying scene but on the market for fuel cycle services. Cogema, the nuclear fuels subsidiary of the CEA, has wrested commercial superiority away from the U.S. in the crucial area of uranium enrichment. It has become the world's largest natural uranium producer, controlling 20 per cent of the West's production. It has also built up a competitive lead in the controversial business of nuclear fuel reprocessing to produce plutonium.

Expertise

France acquired expertise in uranium enrichment, using the electricity-intensive gas-diffusion technology originally developed by the U.S. for the war-time Manhattan bomb-making project, only with great difficulty. It suffered an effective embargo on nuclear technology transfers during the 1950s from the two Anglo-Saxon atomic powers.

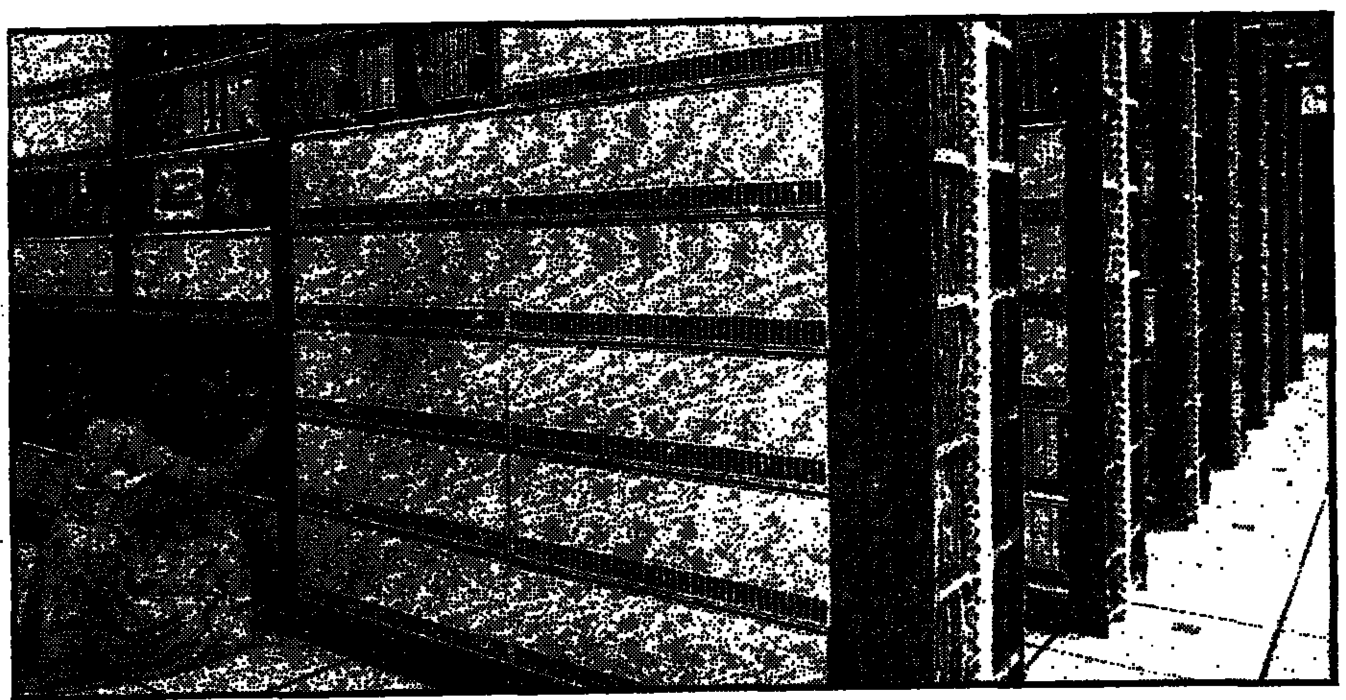
Now, however, first with its military enrichment plant at Pierrelatte built during the 1960s, and later with the multinational Eurodif civil facility at Tricastin completed two years ago, France has built its way into a position of being able to tweak the lion's tail.

Cogema, which last year registered a consolidated turnover of FFr 17.6bn of which 38 per cent were exports, has made a big effort to market its services t oU.S. utilities. Last year (partly profiting from the dollar's strength) Cogema succeeded in forcing the U.S. Department of Energy to cut its own prices for enrichment contracts, and added five new U.S. utilities to its list of clients for enrichment and other fuel services. An eventual further step, according to Cogema, could be to market in the U.S. France's considerable expertise in reprocessing—at present, U.S. electricity utilities leave burnt fuel rods in waste ponds. But sooner or later, Cogema reasons, the edict against civil reprocessing promulgated by President Carter will be eased —and France could again leap into the lion's den by picking up lucrative U.S. business from under the nose of a government which once held the world's nuclear monopoly.

Stronger emphasis on joint ventures

Advances in electronics

DAVID MARSH



Among European nations, France has been in the van guard in pressing for unified standards in telecommunications. Above: a section of the Tho mpson-CSF telephone exchange in Orleans

THE FRENCH government came to power in 1981 with heady ideas of boosting the country's electronics and computer industries to third place in the world (behind the U.S. and Japan) through infusion of massive investment and a vigorous programme of "reconquering the domestic market."

Three years later, the aggressive vocabulary, along with the penchant for announcing multi-year financing plans and job creation targets, has all but vanished.

In its place has been born a much more sober strategy which is primarily defensive in its overriding objective of holding on to France's (and Europe's) position in the international electronics sector before it is eroded permanently by the powerful international push of companies like American Telephone and Telegraph (AT & T), International Business Machines (IBM) or Nippon Electric (NEC).

Turning aside from merely national approaches to sweeping changes in world electronics, the French Government has put mounting emphasis on solutions aimed at bringing together European companies to stand up to the multinationals.

After the failure last year of the government-sponsored bid by the Thomson electronics group to take over Grundig of West Germany, the Mitterrand administration has, however, had to be content with a number of smaller-scale European tie-ups in specialised fields (for instance the French accords with Philips in radio-telephones, the "smart" electronic card and, probably due soon, in microwave systems.

Standards

France has been in the vanguard of European countries pushing for unified standards in telecommunications to assist a mooted opening up of EEC markets for public telephone equipment.

Bull, the state computer group, is also the leading proponent of a move for harmonised computer standards within the EEC. Agreement to put into effect standards to enable European manufacturers' equipment to be interconnected, and thus form a potential solid bloc of competition to the dominance of IBM, was reached in March. Bull harbours hopes that some U.S. computer products will join the pact.

France has reached a bilateral agreement with West Germany on setting up a common radio-telephone system and on moves to open up public telephone markets, although this accord is taking time to be put into effect.

And the Paris Government still is placing considerable emphasis on a project for reciprocal sales of public telephone equipment with Britain. This could eventually lead to Anglo-French research and development collaboration on future generations of switching equipment.

However, firm decisions have still not been reached on a deal between British Telecom and the Direction Generale des Telecommunications (DGT) in spite of eight months of technical and industrial discussions between the two sides.

CIT Alcatel, the state-controlled company which now groups public sector telecommunications interests following the landmark agreement with Thomson last autumn to swap parts of the two concerns' electronics activities, is trying to steer through the British telephones deal to increase the "critical mass" of European companies on world markets.

Even though the new CIT Alcatel/Thomson grouping ranks at No 5 in world telecommunications, France fears that it will have insufficient financial muscle to take on giants like AT&T unless a trans-national match is agreed of the kind sought with GEC and Plessey of Britain.

Britain, however, is placing less weight on the longer-term questions of European industrial strategies, with overriding attention diverted to British Telecom's impending denationalisation.

Because of the keen desire that BT should be acting in as commercial an environment as possible, any direct Franco-British equipment deal is unlikely to be agreed without the contracts first being put out to international tender.

If bilateral deals of this sort fall—and there is now growing pessimism in Paris about the chances of a French-British telephones rapprochement, at least within the timescale initially envisaged — two important consequences would ensue.

First, French companies could be expected to try to compensate by concluding technology and marketing collaboration deals with U.S. or Japanese companies. A foretaste has already been provided by Thomson's conclusion of a licensing accord with JVC of Japan to acquire access to VHS video-recorder technology after the breakdown of efforts to merge with Grundig.

Significantly, whatever the rhetoric about the need to cooperate within Europe, French companies — like those from the rest of the continent —often find it easier to conclude deals with U.S. or Japanese concerns, which can make much more attractive offers of new technology and markets.

The four state-controlled electronics groups, Compagnie Generale d'Electricite (which is the major shareholder in CIT Alcatel), Thomson, Matra and Bull, have all stepped up considerably their links with U.S. groups over the past 12 months. No group, however, has signed an inter-continental deal of the size and importance of the two link-ups between AT&T and Philips and Olivetti.

Dangers

One of the problems for the state electronics groups is that precisely their nationalised status (as was already seen with Olivetti's desire that French groups Saint Gobain and Bull should reduce their previously-held stakes in the company following nationalisation) can often be an impediment to close and wide-ranging co-operation with foreign concerns.

The second danger of any breakdown of European collaboration efforts is that France could again retreat to more narrow protectionist solutions to its electronics industry problems.

At the moment, there is little risk of this because of French industry's clear reliance on exports. Partly caused by a big drop last year in imports of consumer electronic equipment after the abrupt ending of the 1982 video-recorder boom, the overall electrical and electronics sector in France last year chalked up a foreign trade surplus of FFr 7bn, against only FFr 785m in 1982.

Telecommunications exports alone totalled FFr 4bn, up 44 per cent, giving this sector a trade surplus of FFr 3bn. Showing the persistent importance to French exporters of traditional French-oriented markets, 20 per cent of telecommunications exports were to Africa, against only 19 per cent to the rest of the EEC.

In sectors where France, however, has most to fear from foreign competition, notably in computers and sophisticated office equipment, desire for more open markets within the EEC could quickly fade if the Government came to the conclusion that this would largely serve non-European companies such as the U.S. giants.

Nervousness about "buy-French" policies, associated with the clear profit opportunities of the expanding French information technology market, has been the main factor propelling a series of U.S. computer companies to invest in French production facilities in recent months.

Hewlett Packard, Control Data, Rank Xerox and Digital Equipment have all announced steps to increase their permanent presence on the French market. They are following without doubt the example of IBM, which with its four plants and two research laboratories in France has effectively put itself outside the reach of protectionist action.

The sector's performance has deteriorated steadily in the last five years

A major industrial headache

The troubled motor industry

PAUL BETTS

PRESIDENT Francois Mitterrand opened a major exhibition in the Grand Palais in Paris, in the middle of June, honouring the centenary of the French motor industry.

But the show, including nearly 200 models of French cars (starting with the very first four-wheeler built in 1884) and with displays of all the latest electronic and robotic car making techniques, coincides sadly with one of the most difficult periods in the history of the industry.

For the past 12 months, the French motor industry, central to the country's industrial base and employing 800,000 people directly or indirectly, has seen its problems accumulate.

The two big French car groups — the state-owned Renault and the private Peugeot group — have, overall, been losing ground to their international competitors. In the case of two of the Peugeot car marques, Citroean and Talbot, they are now fighting for survival.

But if the losses of the two car makers have continued to increase, the other components of the motor industry have also been hard hit.

Perhaps the most eloquent example is Michelin, the French tyre company and the world's second largest after Goodyear of the U.S., which is currently seeking to reduce its workforce in France by nearly 5,000 people by next year.

A report just published by the Economic and Social Council, an authoritative Government advisory body, paints a bleak and alarming picture of the current situation in the French motor industry.

Its performance has steadily deteriorated during the last five years. Indeed, since 1979, a record year for French car production exports and registrations, the industry has lost market share both in France and abroad. French car makers, who produced 3.3m vehicles last year including 2.96m passenger cars, sold 500,000 cars less in Europe last year than in 1979.

During clashes at a Talbot-Peugeot car plant, an employee calms a colleague holding a small pistol.

The mounting problems of the car industry are posing one of the biggest industrial headaches for the socialist Government. The troubles of the industry are in a sense the most transparent example of the difficulties for France of pursuing an industrial policy involving restructuring at the same time as modernisation.

No one disagrees with the need to restructure and modernise the car industry; but no one—the Government, the unions, the car makers—seems able to agree on how to translate the theory in practice.

Traumas

Efforts by French car-makers to cut back their labour force and improve productivity have caused a series of social traumas during the past 12 months. The most spectacular and violent involved Peugeot's Talbot subsidiary, acquired by the French private group five years ago from Chrysler.

Talbot, which Peugeot took over during its head days of expansion to transform itself in a leading European volume car producer, has been a major drag for the private French group virtually from day one.

The large but old Talbot plant at Poissy, outside Paris, has been at the centre of a labour dispute of unusual intensity. Along with the other large car plants in the Paris area, Poissy has a large proportion of immigrant labour, mainly from North and French-speaking Africa. And in most cases, the traditional French unions, the pro-Communist CGT and the pro-Socialist CFDT, have been unable to control the immigrant-led labour base of these large car plants.

Peugeot lit the fuse last summer when it announced it would lay off 7,500 workers from its Talbot and Peugeot car divisions in France. Although the Government agreed to allow the company to reduce its workforce by early retirements and other "socially acceptable" devices, it rejected at first Peugeot's attempts to make about 2,900 compulsory redundancies.

The Government subsequently agreed to 1,900 redundancies enraging the trade unions and the car workers who accused the administration of negotiating a deal with the car company behind their back.

What followed in January captured all the international headlines. Peugeot threatened to shut down Talbot and changed the legal status of the subsidiary in what was seen as a first step towards possible liquidation. Riots exploded in the Poissy car plant.

The Government held firm on its job compromise with Peugeot management. The rioting ended and Peugeot announced it would go ahead with a FFr 1.2bn investment programme at Poissy to prepare the plant for production of a new medium-sized car model.

Since then Peugeot has sought to restore a little lustre to the tarnished Talbot image. But in a declining French car market (sales are down 12.6 per cent for the first five months of this year compared to the same period in 1983) Talbot has continued to plunge on the French market with a sales decline of more than 50 per cent during the first half of the year.

And just as the situation at Poissy was starting to calm down, Citroen, the other financially troubled division of the Peugeot group, replaced Talbot in the front-page headlines.

Peugeot is seeking to reduce 6,000 jobs at Citroen including some 2,400 compulsory redundancies. Its plant at Aulnay-sous-Bois, outside Paris, was recently occupied by workers protesting the company's plans.

The Government has so far rejected the Citroen redundancies and once again a potentially explosive stalemate has developed which could soon come to a head.

If the situation has appeared calmer on the surface at Renault, it is no less preoccupying. The state-owned car group has been plagued by losses, largely from its truck business.

Renault has been losing market share because it is in the middle of renewing its car line and also suffers, in the truck business especially, from over employment.

Like Peugeot, it has sought ways of reducing its workforce without having to make redundancies. But apart from early retirements, there are few options at a time of growing unemployment in the country.

The car companies and the Government have tried to encourage immigrant workers to return to their homelands by offering them increased financial incentives. So far, however, this has failed to attract the bulk of the immigrant workforce in the car industry.

On the one hand, these immigrants now regard themselves as French. On the other, they believe their prospects are gloomier in the homelands than in France.

To remain competitive, the French car industry will have to shed about 80,000 jobs between now and 1988, a recent study by Insee, the French state statistic institute, warned recently.

The Economic and Social Council report on the car industry also says that two out of every three salaried workers in the French car sector will have to be reconverted or requalified before the end of the decade. And what is more, the two car companies will have to raise a total of about FFr 20bn a year to finance the necessary investments to remain competitive in the world car market.

But who is going to pay for these investments and the costs of workers retraining and reconversion?

It is clear that the present debilitated financial state of the two French car groups will require a substantially heavier financial aid effort from the Government to support the domestic industry.

Between them, the two French car companies lost FFr 4bn last year and have accumulated debts totalling about FFr 60bn.

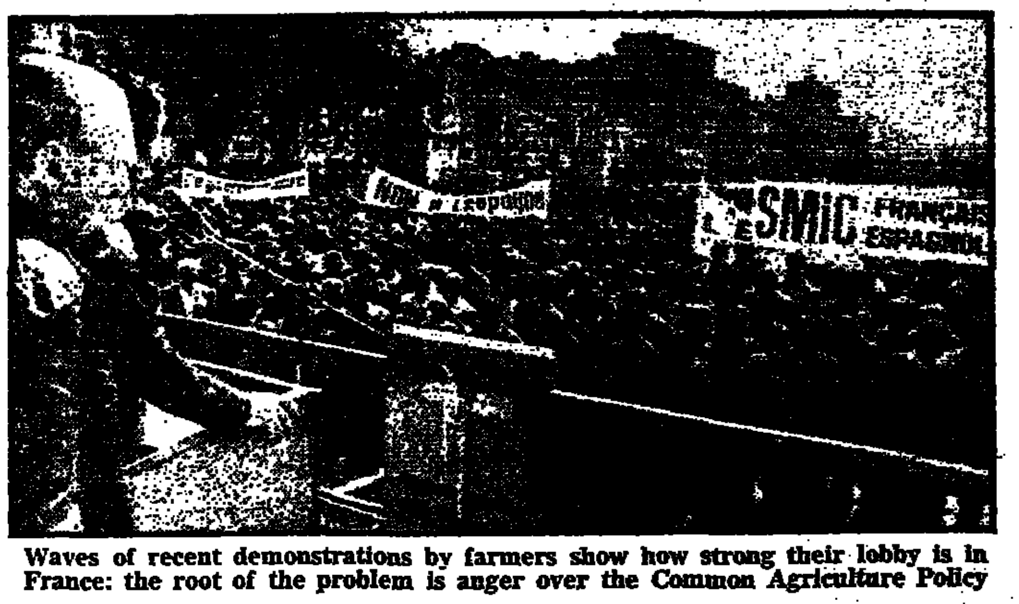
Big questions

The question then is how is the state going to be able to increase its support of the sector at a time of continuing budgetary restraint and economic austerity? And related to this problem is the equally crucial question of how the Left-wing Government will tackle the labour issue in the car sector after its electoral defeat in the June European elections.

During the European election campaign and in an effort to try to defuse the current work reduction controversy at Citroen, the Left-wing administration revived the idea of the 35 hour working week.

But despite the battle for the 35-hour week in West Germany, the Government in France appears to have already abandoned any hopes that reducing the working week can provide a realistic solution. And this, in turn reflects the dilemma, the contradictions and the difficulties for a left-wing administration to conduct a pragmatic industrial policy.

Car workers at Poissy await results of yet more discussions between unions and management



Waves of recent demonstrations by farmers show how strong their lobby is in France: the root of the problem is anger over the Common Agriculture Policy

Deep anxieties about the future

Farming

PAUL BETTS

PRACTICALLY no month has gone this year without some protest, at times violent and massive, by the powerful French farmers lobby.

In January, milk and cattle farmers from Normandy and Brittany seized and hijacked British lorries and their drivers carrying imported frozen meat into France.

In most cases, the cargo in the lorries was set on fire or distributed to local hospitals and charities. In one case, a pair of British lorry drivers were seized and marched down to Paris before the French Government intervened after a major protest from London.

The farmers later blocked railway lines and motorways. They ransacked a "sous prefecture," the official residence of the deputy prefect, in Brittany. In the South, wine growers ploughed up motorways and major roads with tractors.

Most recently farmers kidnapped for an entire day the head of the French milk board in Rennes and disrupted an EEC farm ministers meeting at Angers.

These waves of demonstrations show how strong the farmers lobby is in France and how organised it is in bringing out its protest troops en masse when necessary.

But the scale of demonstrations so far this year also reflect the deep anxieties for the future of a sector which, although declining, still represents a major component of the French economy and a key source of employment.

At the root of the problem is the Common Agriculture Policy (CAP) in general and the European milk lake and butter mountain in particular. Although M Michel Rocard, the French Agricultural Minister, has argued the French Government had negotiated the best possible deal it could in Brussels and that "milk is not the same as steel," farmers have greeted with alarm the reduction and the imposition of production quotas decided in Brussels.

Under the latest agreement, French milk producers will have to reduce production by 1m tonnes a year. For many of the more than 400,000 French milk producers this will cause hardship because the new EEC farm prices will not offset the rise in production costs.

Many farmers have argued that only by continuing to increase the productivity of their cows and hence increase volumes can they compensate for the acceleration in production costs and animal feed.

Moreover, many milk producers in Brittany are members of a young and dynamic group of farmers who have taken considerable financial risks by indebting themselves heavily.

To offset the impact of the reduction in milk production, the government has budgeted nearly FFr 1m in aid to milk producers this year. It is also trying to encourage a greater concentration of milk production towards cheese and other fresh products away from butter and powedered milk.

But if milk and the farmers have spearheaded the protest movements in the French farm sector this year, other aspects of the CAP and French domestic policy have provoked the anger and alarm of other farming groups.

Although farm production in France continued to be sustained last year and deliined only 0.1 per cent from the extremely high levels of 1982, agricultural prices increased by a naverage of 9.1 per cent while production costs rose by an average of 9.7 per cent.

oMreover, average farm incomes declined 3.1 per cent last year compared with 1982 when they had increased by 8.1 per cent over the previous year.

Not all parts of the farm business was hit. But like milk producers, cattle and pig farmers also suffered the impact of higher animal feed costs exacerbated in the case of imports by the decline of the French currency against the U.S. dollar. But if these farmers have fought to recoup their costs and make ends meet, vegetable and wine growers have been watching with anxiety the negotiations over the enlargement of the European Community to embrace Spain and Portugal.

"We have enough problems with Italy," remarked a wine grower during a recent visit in the Midi, the southern part of France whose wine producers have been extremely militant again of late against enlargement.

Under the circumstances it is not surprising that M. Rocard, the French agricultural minister, has come under fire from the farming profession.

"Rocard should have quotas imposed on his pay," is a recent favourite slogan at farmers' demonstrations.

But the protests appear to have done little to damage M. Rocard's image of the most popular leading Socialist politician in France. Indeed, if anything, his conduct as Agricultural iMnister both in France and in Brussels, has won him more praise, even reluctantly from his many foes in his own Socialist party.

When M. Rocard was given the agricultural portfolio last year, the appointment was widely seen as a further attempt by President iMtterand to undermine one of his most serious rivals at the top of the party. After all, President Mitterrand an dhis supporters have never really forgiven M. Rocard's hasty attempt to present himself as a Socialist presidential candidate in the 1981 presidential elections subsequently won by President iMtterand.

M. Rocard, in private at least, has acknowledged that the agricultural ministry could have requested a major political trap.

Signalling what could perhaps be a thaw in the relationship between the two men, President Mitterrand recently paid a surprise visit to Confians-Sainte-Honorine, a small town west of Paris whose mayor is none other than M Rocard.

What is more, it was at Confians that M Rochard announced he planned to run as a presidential candidate.

By making this gesture, President Mitterrand immediately sparked off in the excitable French political medias that M Rocard could no longer be ruled out as a potential candidate to replace M Pierre Mauroy as Prime Minister.

Falling demand forces policy changes

The coal and steel sector

PAUL BETTS

After news that 20,000 jobs would be lost in the steel sector, workers protest in Marseilles by blocking street traffic with coils of steel

OF THE difficult industrial choices that faced the Government at the beginning of the year, the restructuring of the coal and steel sector seemed the most difficult.

Charbonnages de France, the state-owned coal group, cost the Government in subsidies and losses FFr 7.2bn in 1983. The two state-owned steel groups, Usinor and Sacilor, ran up a combined deficit of FFr 10bn bringing their cumulative losses since 1980 to FFr 29bn.

The Communist-led CGT union is deeply entrenched in both sectors and committed to a policy of raising output by cutting back imports. The Government itself, in the euphoria of taking office in 1981, promised to raise coal output to 30m tonnes a year by the end of the decade from 20m tonnes at the time, and to increase steel production to 24m tonnes from a 1981 level of 21m tonnes.

In fact the about-turn in policy—forced on the Government both by falling demand and its inability to continue financing such heavy losses—has so far been less painful than expected. There were token strikes and demonstrations in the coal areas before CdF disclosed its new coal plan in March.

The violence in the eastern steel-producing region of Lorraine was much greater after the new steel plan was unvelled later in March. But though the full impact of the planned job cuts has yet to be felt, Lorraine for the moment seems to have slipped back into resentful silence.

In the coal industry, the decisions announced by M Michel Hug, the chairman of the CdF, provide a medium-term framework for the industry similar to that on which the former government of Prime Minister Raymond Barre was working.

Output will be steadily cut back from the 1983 level of 18.3m tonnes to 10-13m tonnes by the end of the decade. The workforce of 57,000 will be cut by a half over the next five years through early retirement or redeployment to Electricité de France (EdF).

The Government has agreed to maintain the state subsidy to CdF at FFr 6.5bn a year—the 1983 level—in constant terms over the period. It also twisted the arm of EdF, which is suffering from excess nuclear generating capacity, to purchase more coal from Charbonnages than it was committed to buy.

M Hug has said that the intervening five years must be used to increase productivity and concentrate output on the economic pits — mostly in Lorraine.

Extraction costs in France are well above international levels and vary enormously from area to area. The average cost per tonne last year was FFr 633 as compared with an average price of imported coal of FFr 450 a tonne. But at the end of the five year period M Hug believes that Charbonnages should be able to stand on its own—having diversified in the meantime into an international energy company.

In the steel sector the medium-term outlook is less clear. Output is to be maintained at about last years level of 17.5m tonnes with a cutback of about 25,000 jobs from the existing work ce of 90,000.

There are doubts, however, about the timing of the required plant closures and whether the revised plan digs sufficiently deeply into France's excess capacity in flat products (sheet metal, coils).

These are bound to be reinforced by the surprise decision, at the end of last month to replace M Raymond Levy as head of Usinor after his contract expired. Appointed only in 1982, M Levy was the first French steelmaker to say publicly that the Government's initial steel plan was unrealistic and to advocate that decisions on the industry's future be based on a return to profitability.

M Fabius, the Minister of Industry, who proposed that M Levy be replaced, held against him that he had failed to explain his policies to the unions. His outspokenness and his opposition to the construction of a universal rolling mill at Sacilor's long products division in Lorraine almost certainly contributed to his downfall.

Undoubtedly the decision not to proceed with the Gandrange mill was the key element of the revised steel plan. It represented a turning away from costly mammoth steel ventures—Gandrange would have cost about FFr 1.5bn — in favour of more flexible steelmaking units. It also reflected a further concentration of French steelmaking capacity on the coastal plants of Dunkirk and Fos at the expense of Lorraine which depends on high cost local ore.

The only major steelmaking operation in Lorraine in future will be Sacilor's Sollac division which makes sheet-metal—much of it going to the nearby West German car market. The Neuves Maison steel mill is to be shut, and at Longwy there will be a partial switch from smelting shops based on lo l ore to electric arc furnaces fed by cheaper scrap metal.

The two steel groups, which have long been involved in a sniping war against each other, have been told to co-ordinate their activities much more. Their engineering steels divisions, both of which made substantial losses, have now been re-grouped under a jointly-owned subsidiary.

Their long products divisions have similarly been merged. They have begun to co-ordinate more in the marketing of flat products.

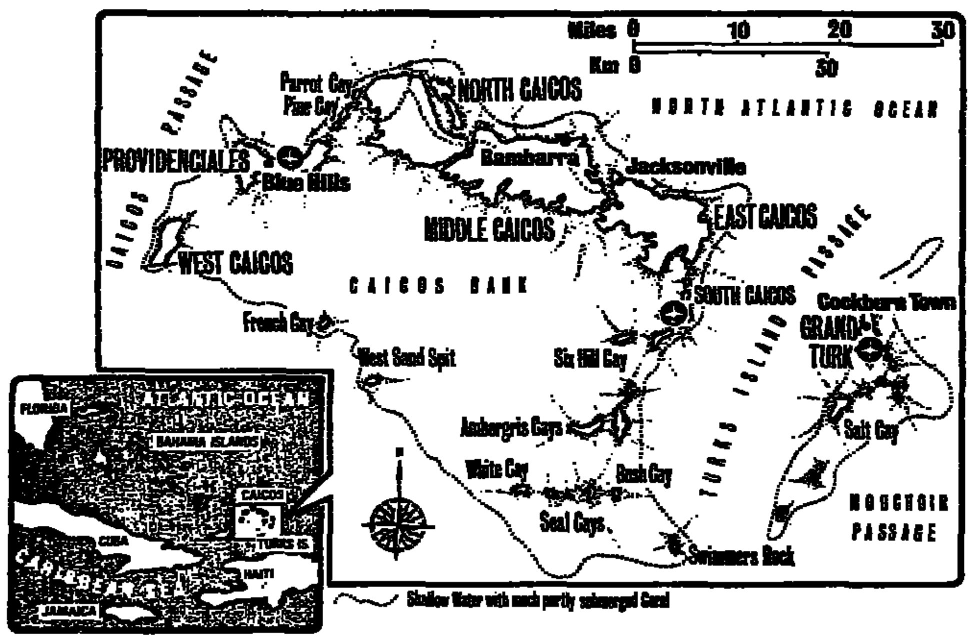
In practice they are moving closer to the creation of a unified steel industry along the lines of British Steel. But the Government has stopped short of taking the final step. In announcing a replacement for M Levy, it shows no sign of taking it.

SECTION V

FINANCIAL TIMES SURVEY

The Turks and Caicos Islands

The least developed of Britain's remaining possessions in the West Indies, the Turks and Caicos islands are attempting to build up their economic base, largely by expanding tourist and banking facilities. In this survey Robert Graham assesses their prospects



FEWER THAN 100 houses stand on Front Street, Grand Turk. None are higher than two storeys and most are wooden framed with corrugated roofs. Within five minutes' walk in or just off this, the capital's main street, are the government offices, banks, shops, churches, the public library and even the local prison. Most mornings the loudest noise outside the complex of government buildings is the trade winds tearing at the Turks and Caicos flag.

The Turks and Caicos islands are the least developed of Britain's remaining possessions in the West Indies. Only six of the 42 islands and cays that comprise this British dependency are inhabited. Even by the standards of other islands in the region, the Turks and Caicos are thinly populated, with no more than 8,500 permanent inhabitants. Of these just under half live on Grand Turk.

Regular contact with the outside world is a recent phenomenon. There are no direct flights to London, and the flight from Miami to Grand Turk is still a social event at the airport. The cinema has yet to come, and probably never will, overtaken by video and the U.S. TV programmes which residents pick up on their satellite dishes.

Change has come slowly. But in the past four years the pace has accelerated. It is most noticeable on Providenciales ("Provo"), which is being transformed from near virgin territory to an international tourist resort. This year Providenciales' international airport—a pre-condition for the tourist industry—opened.

In Grand Turk the evidence of change is more discreet. But here in the offices of lawyers and trust companies the list of offshore companies they have registered is filling the walls. Grand Turk is beginning to take off as an offshore tax haven and financial centre.

"It is just like Cayman 15 years ago," one frequently hears from old Caribbean hands. Certainly, the yardstick of Cayman's rapid take-off is being used to project the growth of the Turks and Caicos. However, it is unlikely in the present climate of international financial uncertainty and recession that a new financial centre—no matter how well prepared—can grow as Cayman did.

Changes in society

The Turks and Caicos aim is more modest, linked to the fact that such a small indigenous population could easily be swamped by expatriates. Even on the basis of existing development it is clear that the nature of society is being changed. Labour is being imported (legally and illegally) from the Dominican Republic, Haiti and, to a limited extent, from Jamaica. Financial services are dominated by Europeans and Americans who either have work permits or have acquired residency.

When the previous FT survey on the islands was produced in 1970, it was uncertain whether the British government would support the introduction of another tax haven and offshore financial centre in the area. Already there was Bahamas, Bermuda, Cayman, the Netherland Antilles and Panama. In the end the project was endorsed largely because this activity, and tourism, were seen as the sole means of achieving economic independence.

Although the islands have a land area of 192 square miles, this is nearly all flat and exposed to the winds, making the poor soil difficult to use for agricultural purposes. Water is also scarce—all the houses are obliged to build rain water tanks to survive periods of drought. The salt industry, developed by the Bermudans 300 years ago, finally collapsed in the mid 60s after a long period of decline. The lack of resources and small population has made almost any manufacturing venture uneconomical.

Indeed, lack of opportunity led to large scale emigration to the Bahamas and the U.S. mainland, so than now more islanders live outside than on the Turks and Caicos. Funds came from remittances, customs duties, rent from the U.S. for the use of base facilities (submarine surveillance, radar and coast guards) and British aid. None of this has been very substantial.

The British Government always found itself caught uncomfortably between the need to provide adequate development funding and its unusually high cost, given the need to import everything, and the necessary duplication of so many services on each of the habited islands. Whitehall erred on the side of caution and development was under-funded.

Some islanders go further and talk of outright British neglect in the past, which encouraged the more unscrupulous to resort to the drugs trade. The islands are ideally located for refuelling of light aircraft travelling between Colombia and the U.S.

Biggest single aid project

Fears that the airport at Providenciales might encourage the drugs trade led to considerable opposition in the House of Commons to the project. The contrary has, in fact, occurred. Spurred by the bad publicity and under pressure from the U.S. administration to co-operate in tightening up on drugs entering the U.S., there has been determined effort to stamp out drug activity. The Governor Mr Christopher Turner, who is directly responsible for this, is confident that the drugs problem has been largely resolved.

The Providenciales airport cost $10m. Even though costs were pared to bare essentials this was the biggest single aid project undertaken by the British Government, and involved a lot of soul searching. When the decision was taken four years ago, Providenciales had fewer than 50 hotel beds, and no major hotel investment was committed. The Club Mediterranée was holding back its commitment to build a tourist complex until sure of the airport.

Even after the airport went ahead, several hiccoughs occurred before the $23m French investment began. Still more projects of this order must come before the airport justifies itself. But if present trends continue this should happen: the airport and the consequent Club Med investment have been taken as a vote of confidence in the islands' future.

It is doubtful whether Providenciales would have got the airport if the decision had not been a political one. In 1979 the leader of the People's Democratic Movement, Mr "JAGS" McCartney was pressing for independence from Britain. The airport was in effect a going away present. However, in 1980, before independence was realised, Mr McCartney was killed in a plane crash. This forced an election in which the Progressive National Party, headed by Mr Norman Saunders, emerged victors on a platform of outright opposition to independence.

For Britain it was a bit like a wedding called off at the last moment with the dowry already handed over. The thrust of British policy had been to gear both the constitution and the economy towards independence. Thus two political parties had been encouraged and a wide measure of self-government instituted under a 1976 constitution.

Mr Saunders believes the best guarantee for the islands' future is remaining a British dependency. Significantly in fresh elections held last month and won by Mr Saunders and the PNP, independence was not even raised by the PDM.

Mr Saunders, since first taking office as Chief Minister in 1980 has used the British connection to good advantage. He has made it a cornerstone of his policy of promoting the islands tourist and offshore business, pointing out this guarantees political stability for investors. Although the offshore legislation began to be put in place in 1979, investors were wary of the political situation and hesitated over Mr McCartney's independence plans.

The Turks and Caicos have directly benefited from disenchantment by some offshore operators in the neighbouring Bahamas who have found it increasingly difficult to deal with the independent government there. Equally, the Turks and Caicos have benefited from the bad publicity acquired by Cayman for attracting laundered money. These factors have combined to give a start to the offshore business, and, by the same token, to investors searching for new opportunities in real estate and tourism.

A good deal now depends upon the snowball effect of confidence, because both offshore financial activities and tourism now require substantially greater investment than has hitherto been the case. For instance, more flights are essential from Miami but these will only be put on if Air Florida believes the potential exists, or the privately owned national airline, TCNA, takes the risk in starting a service. More passengers can only come if there is hotel space—a classic "chicken and egg" situation.

Secrecy talks with U.S.

Another imponderable is how the increasingly tough attitude of the U.S. Justice Department and the Internal Revenue Service is going to affect Caribbean offshore centres. Negotiations are taking place between the British and American governments on a treaty covering extra-territoriality and the question of access to confidential financial information.

Secrecy laws in Caribbean tax havens are a growing source of irritation to the U.S. authorities. The issue has been highlighted by the case of the Bank of Nova Scotia which was obliged by the U.S. Supreme Court on appeal to hand over documents relating to its Bahamas operations or risk a $25,000 per day fine. To many sheltering in tax havens this seemed the beginning of the end of bank secrecy. The British Government, aware of the consequences for its dependencies of Cayman and the Turks and Caicos, has resisted the idea of breaching confidentiality, pointing out the absence of guarantees as to how the information will be subsequently used. Information given to the IRS, for instance could be passed to the Justice Department.

CONTINUED ON NEXT PAGE

IN THIS SURVEY

Economy

Aiming for financial independence

THE ISLANDS can work a spell: the slow pace, lack of noise, the ability to do business on one small street, ubiquitous chalk white sand alongside emerald clear sea. Against this background, if one listens to the politicians and the developers wax lyrical about the islands' possibilities, reality can disappear very quickly.

That enormous potential exists is without question. The islands have the right combination of location, available space, climate, legal status and political stability to evolve as an upmarket tourist resort and off-shore finance centre.

But there are very real constraints. The resource base is minimal; the budget can only be balanced by British grant-in-aid; labour both skilled and unskilled is scarce in an already tiny active population; and the infrastructure is inadequate to cope with development on a larger scale.

Development is being held back by a chicken and egg situation. Businessmen — whether they are bankers looking at the offshore business or hotel operators interested in tourist development—are all hesitant. They want the infrastructure of ports, airline connections, labour, housing etc in place first. But the Government and the private sector, can only make development commitments if they know that the bankers and the developers will definitely come.

The classic instance of this was the Providenciales Airport. Club Med only accepted to invest $23m on Providenciales if there was an international airport. The British Government agreed to provide the funds after much agonising and in a sense gambling that both Club Med and others would see the investment as a catalyst.

Mr Christopher Turner, the Governor, made the point eloquently when opening the $10m airport earlier this year: "It makes no economic sense to build an international airport of this order to service two or three hundred beds and two or three thousand people, especially in an island group that has at least two international airports. But it is an act of faith."

It is doubtful whether the British Government would have come through with this commitment had it not been conceived in 1980 as a "going away present" prior to independence. The mood is less generous today in Whitehall.

Where the money comes from

(in U.S.$)

	1979/80	1980/81	1981/82	1982/83	1983/84
1. Customs	1,428,270	1,804,562	2,227,834	2,611,373	3,552,430
2. Licences	164,707	211,650	165,704	178,173	169,301
3. Internal Revenue	323,668	608,999	739,328	1,323,918	1,661,109
4. Other Departmental Revenue	451,045	841,847	1,682,772	1,815,244	2,115,461
5. Interest	3,655	3,948	24,542	22,603	13,897
6. Coin Programme	235,729	86,593	102,809		46,413
7. Miscellaneous	21,686	29,666	40,990	23,672	20,173
8. Electrical Utilities	425,119	467,332	67,329	72,084	60,174
9. Savings Bank				174,200	10,000
10. Water Utilities					
11. U.S. Bases Rental	2,702,500	957,500	830,000	830,000	760,833
12. Royalties—Ship to Ship Oil Transfer	4,000	44,000	52,000	13,181	10,177
13. Contribution from Capital Aid towards PWD Costs	—	101,681	212,014	136,179	130,943
Turks Islands Government Air Services	13,044	—	—	—	
	5,798,941	5,183,539	6,177,923	7,243,515	8,614,803
Budgetary Aid	—	—	1,770,874	2,100,153	1,997,757
Budgetary Aid for Previous Years	48,923				
	5,847,864	5,183,539	7,948,797	9,343,668	10,612,560
Overseas Service Aid Scheme	19,856	13,041	120,349	83,782	
	5,867,720	5,196,580	8,069,146	9,427,450	

Where the money goes

(in U.S.$))

	1979-80	1980-81	1981-82	1982-83
Administration (UK *DEV AID*)	*277,887*	*299,343*	*46,815*	*98,169*
Communications and Works (UK DEV AID)	1,757,978	1,887,774	5,711,180	5,892,386
Other Projects (Various Donors)	939,610	64,703	128,356	96,316
Total Capital Expenditure	2,975,475	2,251,820	5,888,351	6,086,871
Total Recurrent Expenditure	5,608,499	6,967,773	7,588,990	8,938,897
Total Retainable Surplus Expenditure	64,540	51,104	20,853	14,851
Total Recurrent, Retainable Surplus and Capital Expenditure	8,648,514	9,270,697	13,498,194	15,040,619

Agriculture limited

The islands are the last in the region to begin developing. The historic industry was salt production from an extensive network of salt-flats on Grand Turk and Salt Cay. After almost 50 years of decline the industry collapsed in the early 60s. This left small scale lobster and conch fishing as the *only revenue earning industry.*

The dry climate, combined with constant wind erosion and poor soil confine agriculture to North and Middle Caicos, and this is on a very small scale again. The sole means of employment have therefore been in government or in the various U.S. base facilities. And since these outlets themselves could absorb little, the bulk of the workforce emigrated either to the Bahamas or to the U.S.

The islands' plight would have been a lot worse during the last decade if there had not been considerable revenue generated from the drugs business. The Turks and Caicos Islands were ideally placed to service clandestine aircraft or vessels bringing hard drugs from Latin America, mainly Colombia, to the U.S. South Caicos with its good airport and oil storage facilities, became a major centre.

As early as the late 60s the Government began to think in terms of developing an offshore financial centre and accompanying tourism, similar to that successfully pioneered by the Bahamas and Cayman.

However, the juridicial basis for such a development was not ready until 1980; and indeed that year marks the beginning of the islands' take-off. Fortuitously the risk of duplicating the function of the Bahamas and Cayman has been vindicated—largely by the Bahamians upsetting investors with their post-independence politics and by the Caymans suffering from a bad image as a result of a spate of exposures of money being laundered there.

The islands have yet to establish meaningful statistics. Growth and development can only be illustrated by crude yardsticks. For instance, Government revenues in the past five years have almost doubled, from $5.7m in 1979-80 to $8.6m in 1983-84.

The main source of Government income comes from customs duties on imports. This as a proportion of total revenue has risen from 24 to 33 per cent. Capital and current expenditure rose from $8.6m to $15m between 1979-80 and 1982-1983.

Vehicle registrations, another yardstick, increased 35 per cent between 1981 and 1983. There is no control over money supply because dollars circulate freely and in general the Government lets the market place determine inflation and wages.

Wages are determined by availability of labour all of which is non-unionised. There is a tiered market, pending on nationality—few locals work as unskilled labourers. This is left to Haitians and persons from the Dominican Republic. A basic $3 per hour is usually paid for unskilled work but there is no minimum wage.

Prices are fundamentally those prevailing in Miami plus the freight, distribution and mark-ups necessary on small scale turnover. Moving goods off a vessel and to the customer (rarely more than 10 miles) usually costs more than the 597 miles journey from Miami plus the port handling charges there.

However, as more business is done, organisation improves and competition begins, prices have held steady and in some instances come down.

The most inflationary element on the islands is the price of land. Prime locations have changed hands at prices that reflect little of the nature of the economy and are mostly a result of speculation and tax deductible ventures by North Americans.

The Government is wedded to *the principle of equal development* among the different islands. But in practice this is difficult to accomplish.

Three islands are much better off than the rest: Grand Turk is the centre of business and government; South Caicos has the fishing industry, the prospects of a reasonable port and also a good airfield. Providenciales has the best tourist potential. All three are served now by international flights.

By contrast West and East Caicos are uninhabited, while Middle and North Caicos lack infrastructure. Salt Cay, entirely devoted to the salt industry, which has collapsed, can only hope for some tourist development.

Natural drift has occurred to where jobs are available—making it even more costly to provide services to the poorer communities. As it is most services have to be established separately for each island. With education this becomes even more complex. Secondary schools exist only on Grand Turk and South Caicos, though one is planned for Providenciales. Parents often move with their children so creating a further population imbalance. Education and health account for a third of current expenditure.

Causeway planned

One way round this situation would be to build a causeway, linking South Caicos through to Providenciales. The link-up is feasible, since only shallow water has to be crossed. But the Government is in no position to fund a project that would cost over $30m.

The British Government appears willing to endorse the principle that the project be funded on the basis of private investors being given land against construction of the causeway. Sufficient Crown Land exists to be able to do this: but such a land transfer is unlikely to be approved lightly. The most likely move is an initial link-up between North and Middle Caicos at present connected by an ageing and temperamental ferry.

The British Government's attitude will be decisive while the Turks and Caicos budget is still dependent upon grant-in-aid, financial caution is the order of the day. In 1982-83 UK budgetary support was worth $2.1m. In the financial year that has just ended this fell back to $1.9m, but there were development aid grants from the UK worth nearly $6m. Canada is a small donor and takes a keen interest (a Canadian deputy in 1974 proposed the islands become part of Canada).

The Government has done well to boost its revenue. Especially significant in the past two years has been the rise in earnings from company registrations. The 1982-83 budget targeted company registrations revenue at $200,000: it reached $654,000. Work permits brought in $271,000, nearly double the anticipated income.

These achievements are mitigated by the sudden loss of all important rent from the U.S. for use of their South Base on Grand Turk worth $830,000 a year. The U.S. Air Force pulled out in February and only a small Federal Aviation Authority radar facility has been set up in its wake.

Losing 10 per cent of total revenue with no more than two months warning has been a rude shock. As a sop the Smithsonian Institute has begun studies on a project to breed spider crabs which could generate jobs and be worth $25m in exports. But the Government is hoping for something more substantial from the U.S.

Meanwhile some comfort is being drawn from the recent signature of a contract to extract aragonite from sandbanks off West Caicos, beginning at the end of this year. The Government stands to earn up to $500,000 in annual royalties.

The Government talks of having a balanced budget in 1985. This may prove too optimistic. If the Government is to control development throughout the archipelago and maintain what is already there, then current expenditure is bound to rise at a faster rate than previously. For instance there are maintenance costs for Providenciales Airport of some $500,000 a year alone. The Government also has to establish a greater administrative presence on Providenciales. Personnel will have to be drafted in—police, customs, schools—and housing costs are 20 per cent higher than anywhere else on the islands.

All these are growing pains which need not matter provided the Government policy is clear and enjoys a reasonable amount of luck. In the end the island's economy is dependent upon North America. If the North American economy thrives its businessmen will look to these islands as the last real development opportunity in easy reach of home.

Strict controls on spending

CONTINUED FROM PAGE ONE

A compromise is expected whereby requests for the release of confidential financial information will be made first to the Foreign Office, which will then investigate whether a *prima facie* case exists for disclosure. This should not affect reputable businesses, British officials insist, of the sort which the Turks and Caicos are pledged to attract.

Mr Saunders would like to see the islands free of British grant-in-aid as soon as possible. So long as the budget deficit has to be made up in this way, strict controls on spending apply, and growth hinges on what the private sector is prepared to invest.

Customs revenue has now been boosted by company registration fees, and work permits but this has been offset by the cost of maintenance of Providenciales airport and the loss of revenue from U.S. base rental. The latter, worth $800,000 a year, stopped in March when last year the U.S. Air Force decided the facilities had become obsolete.

However, if the trend of development continues, the economy could be financially independent within a couple of years. Hope is being placed in a recent agreement to quarry aragonite (a form of fine sand used in high grade Portland cement and paint manufacture) and a scheme to farm spider crabs with a potential annual export value of $30m.

Convincing

Mr Saunders has just won convincingly another four year term in office in elections to the Legislative Council. This should remove any doubts about the direction of the islands and his commitment to promote development, in partnership with the British Government.

The British Government has pursued a general policy of wanting to remove its direct and "colonial" involvement in the Caribbean. This has never been openly forced down the throats of any country, but there has been an understanding that once economic independence is achieved, then political independence *should follow.*

Since 1962, 12 former colonies in the Caribbean have become independent, the most recent being St Kitts-Nevis last year. Five dependencies remain including Cayman and the Turks and Caicos both of which are resolute in wanting to retain their current status. If anything events in Grenada have reinforced this feeling of seeking protection and stability from Britain.

Though they lack British citizenship, the islanders regard themselves as much British as anything else. The islands fall outside the natural net of the Caribbean since they lie at its Atlantic entrance between Cuba and Hispaniola. They refer to themselves variously as "natives" or "belongers." Thus if they are to consider independence again, thought has to be given to their identity.

The British Government, for its part, has given an open ended undertaking. Yet it seems few in Whitehall have faced up to the consequences of the Turks and Caicos Islands remaining indefinitely British. And this is an opportune moment to ponder. The majority of the land is Crown-owned and virgin. For instance, the next major infrastructure project is a causeway linking the Caicos chain of islands. At present, this can only be financed by giving Crown Land to developers against an undertaking to construct the causeway. This will be a major decision.

Politics

Vote of confidence for Chief Minister Norman

THE TURKS and Caicos islands have fewer than 4,000 voters; and in small community politics personality counts for a great deal. With two political parties both offering broadly similar options and the powers of government limited by Whitehall, personality weighs even heavier.

Mr Norman Saunders, the Chief Minister, seems to have made his mark. He has just been given a resounding vote of confidence by the islanders for a second four-year term in office. The British Governor, Mr Christopher Turner, is still the final arbiter on the islands; but it is Mr Saunders who is credited with a determined vision to put the Turks and Caicos on the map.

In elections at the end of May for the Legislative Council, he and his Progressive National Party (PNP) won 62 per cent of the vote and eight of the 11 seats. The margin of victory was greater than his supporters dared hope, though he himself had confidently predicted such an outcome.

The opposition People's Democratic Movement (PDM) were hard put to find a real issue. They were still dogged by the unpopular move to seek independence from Britain which cost them the 1980 election.

In vain they tried to maintain that the islands greatly increased prosperity over the past four years of PNP government was due to policies which they had set in motion. Although this was partly true the conservative islanders preferred the man they knew—and most are on Christian name terms with him. He is quiet-spoken, affable and has brought much-needed authority to the government.

The opposition were also dogged by an ill-explained last minute change in leadership. Mr Oswald Skippings, who had led the party for four years since the death of its founder "JAGS" McCartney, was removed only 10 days before the poll. The PDM chose instead Mr Clement Howell, a former teacher and civil servant fighting the Providenciales seat for the first time. He managed to win this by 12 votes. Mr Skippings, who is still only 31, was made deputy leader.

By contrast Mr Saunders retained his seat for his native South Caicos by 245 votes to 46. South Caicos, whose economy he has been responsible for developing, is very much his fiefdom.

Born in 1943, Mr Saunders attended the South Caicos primary school before going on to the Turks and Caicos High School. Right from his school days, he says, he was involved in community work and talking politics. But he started out by studying accountancy, getting his first job with the Turks Islands Salt Company. This was one of the few ways of then avoiding going into the fishing industry that supported South Caicos.

When the salt company was wound up in 1964 as the industry became too uncompetitive, he moved to the Caicos Company, a service group whose operations included aeroplane and ship fuelling. In 1972 he took charge of the Caicos Air Service Company, an arm of the Caicos Company which managed the fuelling operation of the airport.

A year later he and a partner made a successful bid to buy out the company, which he still controls. Since then his business interests have expanded considerably and he is now one of a handful of the islands' most prominent business figures. (He is also the singles tennis champion.)

Mr Saunders first ventured into politics in 1967 winning South Caicos for the PNP—just after he had married a former medical student, *Emily Augusta Malcolm*, also from South Caicos. He has held the constituency ever since.

He is unequivocal in his desire to see the islands remain British. He feels that the stability provided by British protection guarantees the confidence of investors so essential to promote the islands' development. "Independence is not an issue. We campaigned against it," he says bluntly.

This attitude makes his relationship with the governor harmonious and smooths any potential conflict between Whitehall and the PNP.

Under the constitution drawn up in 1976, government is conducted through an Executive Council composed of the Governor (who acts as President), the Chief Minister and three elected Cabinet Ministers. These are complemented by three ex officio members—the Chief Secretary, the Financial Secretary and the Attorney General.

The elected Legislative Council and the Cabinet have limited autonomy. Responsibility for foreign affairs, defence, internal security, the public service and finance remain with the Governor. Nevertheless, the wishes of the government on the type of development for the islands weigh heavily on the Governor's actions.

The opposition during the election campaign attacked the PNP for discriminating in government jobs in favour of its own supporters. But similar accusations were made against the PDM when it was in office.

With the independence issue either buried or dormant, the two parties are looking increasingly similar.

The PNP operates on a sort of pragmatic conservatism while the PDM talks more of social issues and certainly considers itself a "people's" party.

The island has not witnessed any "black power" movement and relations with the white foreigners living and working on the island has been remarkably free of tension.

The tranquility of political life stems from the smallness of the population and its dispersion throughout the islands. Only in the last decade has inter-island contact developed.

Caribbean Chronicle

Left: Mr Christopher Turner, who as British Governor is the final arbiter of power. Right: Mr Norman Saunders, the Chief Minister, with whom most islanders are on Christian name terms

Tourism

Infant industry taking off

THE TURKS and Caicos Islands have the kind of beaches that are every advertiser's dream. No trick photography is needed to show miles of empty sand and clear, unpolluted water.

Undoubtedly the islands possess the tourist product of get-away-from-it-all sun, sea and sand. But like everything else on the islands tourism is on a small scale, constrained by lack of infrastructure and the high cost of development.

Fewer visitors come to the islands in one year than pass through Miami airport on a busy day. The islands welcomed 14,216 visitors in 1983. The number has been rising steadily over the past decade. But there are still no more than 350 beds available.

More often than not the existing hotels and guest houses have resulted from operations by small groups of investors, and quite frequently individuals. Strictly speaking they are more inns or guest houses, limited to around 15 rooms, and run very much on a family basis by expatriates with a small local staff.

In the early days their clientele was confined to three categories: (a) tourists flying round the area in their private aeroplanes or exploring on yachts; (b) expatriates working on the islands and travelling within them with friends and relatives; (c) groups of diving enthusiasts who came to holiday in what are claimed to be the best scuba diving waters in the Caribbean/Atlantic.

Expansions

As air communications have expanded more casual tourists have come, especially during the North American winter months. The high season runs from December 16 to April 16, but the climate is good for tourism throughout the year, save for a muggy and rainy part of October.

Improved communications have prompted several of the owners to begin modest expansions like the Kittina Hotel on Grand Turk and the Island Princess on Providenciales. Grand Turk benefits from being the seat of government, and therefore gets a lot of "business" tourists.

Travelling round the islands it would seem that the number of genuine tourists is in a minority against those staying for business reasons. Grand Turk has two ambitious marina schemes with condominiums and hotels attached — one at the south end of the island, the other in the north creek. But on this island there are few potentially good beaches. The prospects of a big chain hotel is talked of with a site close to the Governor's residence.

South Caicos, with easy access to the best diving, has sought to promote itself as the diving centre. But both its hotel capacity and beaches are limited. North Caicos has good potential but so far has only one hotel, the Prospect of Whitby. Its growth is restricted by a lack of reasonable port facilities and the airfield not being up to international standards. Nearby Pine Cay has been entirely privately developed by the Meridian Club which has built a complex of beach huts and apartment suites, complete with its own airstrip.

The major development has been along the magnificent north beach on Providenciales. Three hotels are operational on this huge beach front — the Third Turtle Inn, the Erebus and the Island Princess. These however will be dwarfed when the Club Mediterranée opens.

Guarantee

The Club Mediterranée is the first large scale tourist development in the islands. The complex being built on Providenciales has 476 rooms and will cost $23m when fully equipped. The project blew hot and cold, and only went ahead when Club Med was guaranteed of the airport being brought up to international standards. It is meant to be ready in time to catch the Christmas tourists from North America but the contractors, Johnstons, have encountered great difficulty in building and delays in opening are not unlikely.

The investment by the French holiday group is primarily geared to North American tourists. Groups from Europe will be encouraged, but the airport cannot take a fully loaded jumbo jet. This said the airport, to pay its way and justify its British Government finance, needs to be a magnet for further hotel groups. It seems that the Hyatt chain is now serious about a major investment in Providenciales; the main difficulty has been finding the right beach frontage.

The islands, it should be stressed, do not have a very comprehensive range of attractions. They can offer tranquility, beaches, sun, and swimming. There are no real tourist sites other than the coral reefs and the old salt pans. The restaurants can offer no local produce except fish. The choice of imported fruit and vegetables is poor and expensive. In general prices are high.

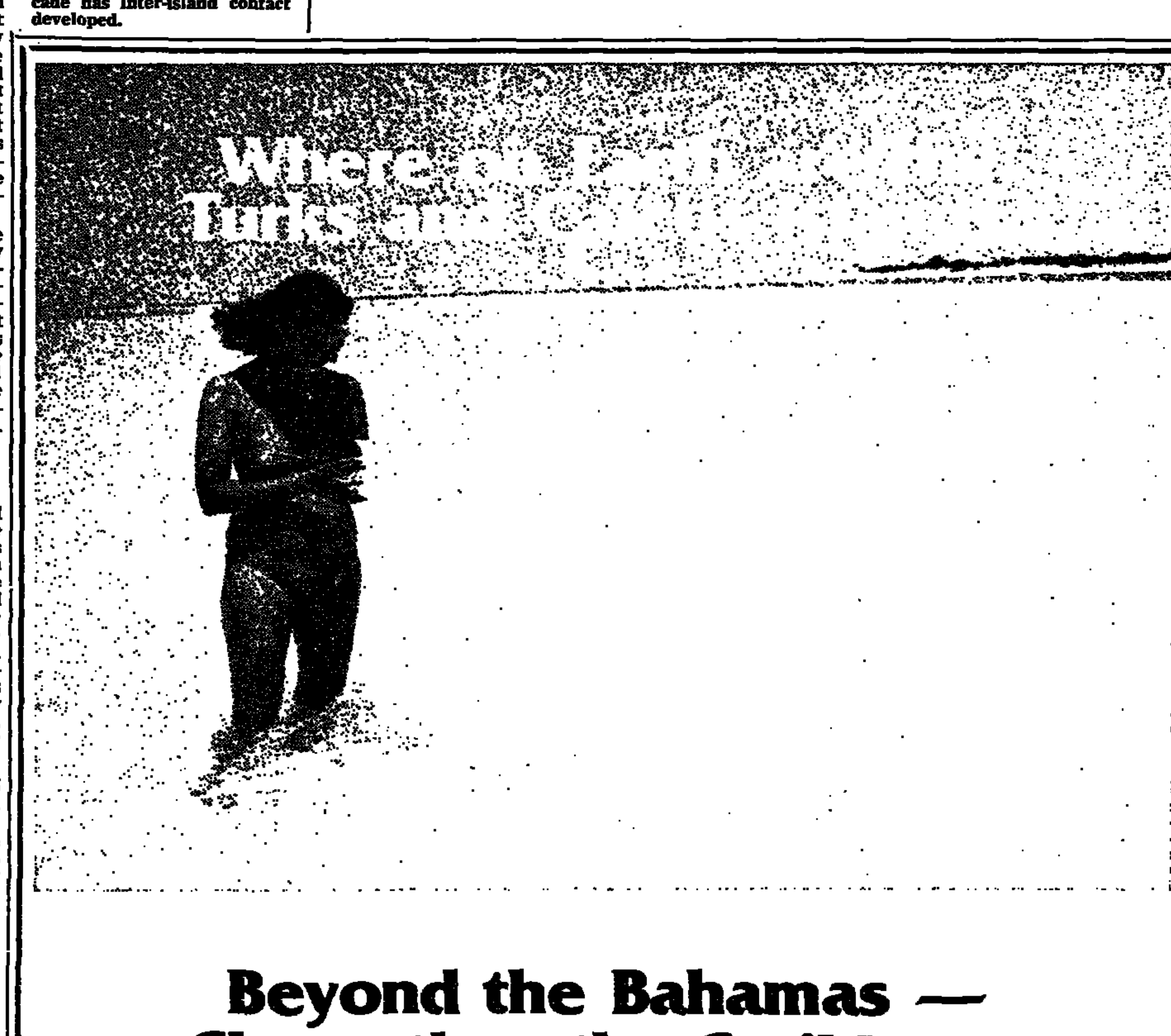
Competitive

Perhaps only the Third Turtle Inn at $105 for a double room is competitive in terms of quality with other Caribbean resort hotels. Even here the predominance of brackish and recycled water affect the taste of boiled food and can provide unpleasantly smelling showers. Visitors, however, tend to forget this against the friendliness of the management, who quickly get to know all their guests, and the natural beauty of the sea and sand.

The authorities want to aim upmarket and have succeeded so far in attracting people more through word of mouth than advertising for which there are limited resources. The success of the infant tourist industry will depend essentially on an ability to contain prices and improve the level of service.

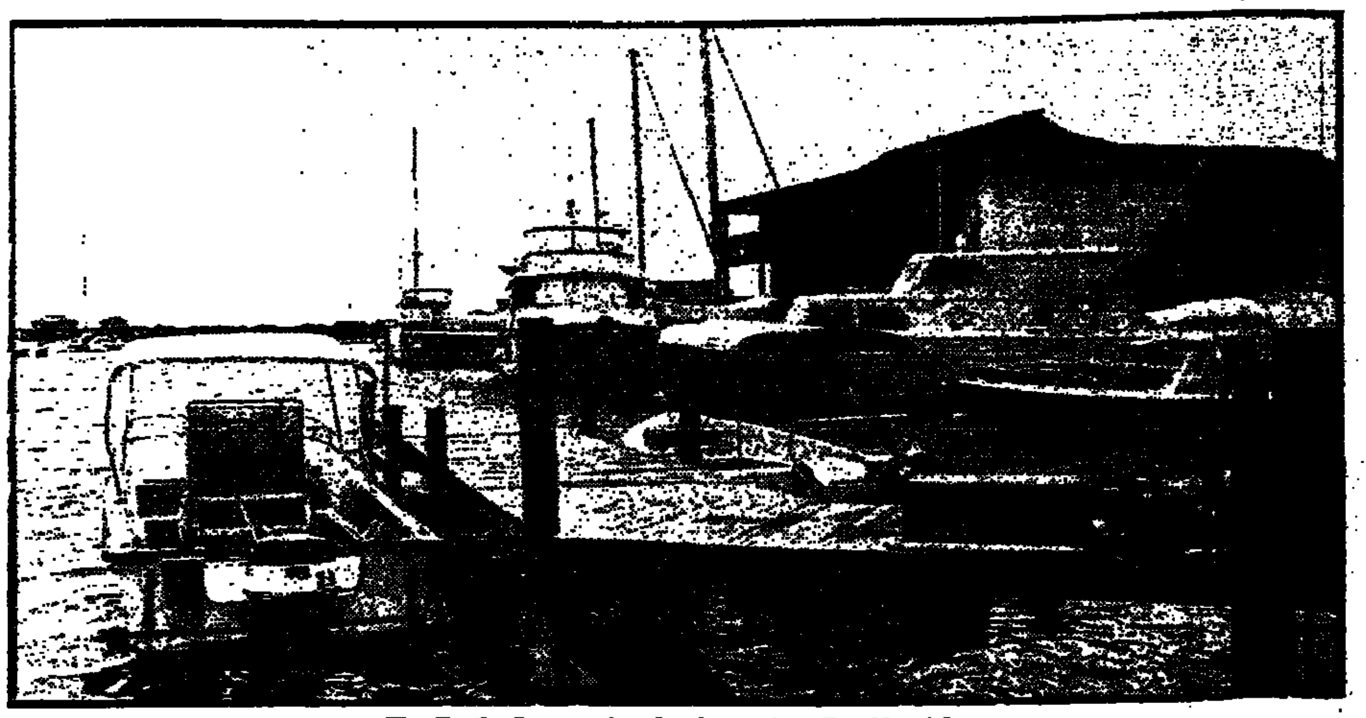
At a broader level tourism would benefit enormously from an effective and close relationship with both the Dominican Republic and Haiti. Both are very close. Not only can they supply labour, raw materials and fresh foodstuffs; they are also attractive tourist centres in their own right.

The Turks and Caicos could serve as an ideal centre from which one- or two-day trips were made to these places, making up for what it lacks in exotic sights.



Fishing

U.S. backing for plan to farm crabs



The Turtle Cove marina development on Providenciales

FISHING IS the only sector of the Turks and Caicos economy that generates exports—unless the printing of postage stamps is included. The waters round the islands are rich in all kinds of seafood. The shallowness of large tracts of water inshore also lends itself for fish farming. Great interest is now focused on a project to farm spider crabs which could generate as much as $20m a year in exports.

Traditionally the fishing industry has centred on South Caicos which has a reasonable harbour and is close to the Caicos Banks fishing grounds. South Caicos also has the advantage of a good airport from which to export. Thus the packing plants are based on the island, obliging fishermen from the other islands to bring their catch to South Caicos.

The basis of the industry is conch and lobster. The lobster is fished from August through to March, when the Government imposes a ban to preserve stocks. Conch is fished all the year; but since lobster prices are much better, fishermen tend to go for conch during the off season for lobster. The annual value of lobster and conch exports is $2m—sold almost exclusively in the U.S.

All fishing is done from small open boats. Both conch and lobster are collected by divers from the seabed. Operating only with a snorkel they can dive up to 50 feet and stay under water for over two minutes. The conch are removed from their huge pink-white shells on the spot by piercing a hole, drawing out the white rubbery flesh, which averages 6oz in weight. These are then brought to a packing station where they are cleaned and deep frozen.

Lobster is rarely despatched live, although freight flights are arranged in season to ensure they are "fresh" into Miami. Fishermen earn between $1.65 and $1.80 a lobster. By the time the lobsters arrive in Miami the packer/distributor is getting around $7.25 for each one on total costs of $6.75.

South Caicos has three packing plants and Providenciales has recently acquired two — an important change since fishermen on Providenciales no longer have to run the risk of losing part of their catch in the journey to South Caicos.

The Government issues licences of up to three months for foreign vessels to fish. However, it has very little capacity to police poaching. A certain amount of this takes place mainly by boats from the Dominican Republic.

Investment is necessary in more scientific means of fishing. There is also likely to be greater pressure for local distribution as the tourist industry expands. But expansion of the tourist industry is going to encourage more fishing out of season for lobster.

Encouragement is being given to catch scale fish. There are also suggestions that some of the disused salt pans, especially on Salt Cay, be converted to shrimp farms. But the project most likely to get off the ground concerns the farming of spider crabs.

A team from the Smithsonian Institute in Washington is researching the possibility of establishing a spider crab farm in Grand Turk waters. The spider crab thrives in these waters which are abundant in algae and have the right combination of oceanic and Caribbean currents.

Research in the U.S. has shown that the spider crab flesh is similar to that of the Alaskan stone crab, which is near extinction. Demand for this type of crab meat in the U.S. is huge.

The Smithsonian Institute was originally researching the establishment of spider crab farms as part of a regional Caribbean project. But in the wake of the pull-out of the U.S. from their South Base on Grand Turk last December, it seems that the U.S. administration is anxious to offset the loss of base rental to the islands with a spider crab project.

If the scheme gets off the ground, the aim would be to make the technology available to all those interested with the designation of specific coastal areas for farming in the hands of the Government. The Government is enthusiastic about the project and anticipates export earnings of over $20m. The Government levies an export tax on fish products, so this would be an important new source of revenue.

Banking and finance

Carving a niche in the offshore business

ON LIMITED resources and with little publicity, the Turks and Caicos islands have managed to establish themselves as a small but increasingly important element in the Caribbean offshore business. The islands have come to the business late in the day and are still way behind Cayman, Nassau and the Netherlands Antilles. But this, in a sense, is their main advantage. The islands can learn from the mistakes of others and have a clean reputation on which to build.

It is probably wrong to consider the Turks and Caicos as a direct competitor with the other offshore centres: rather, the islands are an alternative, and a means of diversification. However, as offshore business expands, the range of financial services available grows and the infrastructure on the islands improves, the Turks and Caicos could begin to offer direct competition.

The islands have only really been an offshore centre since 1979 when a new Banking Ordinance was approved. In 1981 a Companies Ordinance followed, and, shortly, another ordinance will cover trusts. The Chamber of Commerce has only very recently formed a finance sector standing committee to draft a code of conduct. Indeed, considering the mechanisms necessary for operating as an offshore financial centre, it is perhaps surprising how much has been achieved.

The Turks and Caicos Banking Company is a locally incorporated bank but is 49 per cent owned by Union Planters National Bank of Memphis.

Agreement

The main problem for the islands has been to convince those in search of offshore services to place them under consideration.

"When we started here six years ago, there were a lot of strange people around," says Mr Christopher Coriat, a British trained tax lawyer who was instrumental in drawing up the code of conduct. He adds: "However, there has been a large measure of agreement that the private sector wanted to concentrate on quality business."

The emphasis on quality has been heightened in the past year following the bad publicity surrounding the Bahamas and Cayman over the laundering of "dirty money." The Islands' British Attorney-General, Mr David Laing, w[illegible] is responsible for legisl[illegible] and for monitoring cor[illegible] bears this out. "There [illegible] a positive attitude of discouraging dirty money," he says. "We don't put confidentiality up front as a means of encouraging money to come here."

The principal attraction of the islands as an offshore centre are the use of the dollar as currency and their continued status as a Crown colony, with the political stability that this provides.

The main areas of business being developed are banking, company registration, trusts, insurance and, to a lesser extent, trade marks.

It is impossible to gauge accurately the volume of business in the absence of statistics. An indication of the scale can be judged, however, so that there are only four banks with offshore operations. Grand Turk itself has only three modern office blocks. Altogether, fewer than 20 banks, trust companies and law firms are doing the offshore business. The number of companies so far registered in the Turks and Caicos was no more than 3,800 by early 1984.

The Banking Ordinance created a class "A" bank with minimum capital and reserves of $500,000, permitted to conduct domestic banking, and a class "B" offshore category. If the bank is corporated outside the islands its minimum capital requirement is $2m.

A bank can possess both "A" and "B" licences. There is also provision for non-bank financial institutions, which, if incorporated outside the islands, require a minimum capital of $500,000. Licence applications are checked by the Government and the Foreign Office in London, which is assisted where necessary by the Bank of England. The prevailing mood is one of general caution in granting licences.

At the same time the number of applications has not been substantial, with the bigger names holding back to see how offshore banking evolves. The biggest name present is Barclays, which established itself on the islands as a commercial branch office 18 years ago.

This has given it a privileged position in retail banking as the islands have expanded. A holder of both "A" and "B" licences, the bank is reckoned to control over 80 per cent of all retail business. It is the banker to the government.

The Bank of Nova Scotia, also holds both types of licences. It came to the islands as a result of the considerable interest by Canadian capital.

The Turks and Caicos Banking Company, another double licence holder, is a locally incorporated bank. It was founded by Mr Nils Seim, a Scandinavian with long-standing links with the islands. Union Planters National Bank of Memphis has a 49 per cent stake in this bank.

Less well-known is the locally incorporated International Bank for Investment and Commerce. Two other banks were licensed under old ordinances. The South Caicos Bank collapsed in 1982 and its affairs are still being resolved. Its capital was essentially local and it was based on South Caicos. The other started off as the Oxford Bank, changed hands after getting into difficulties and was resuscitated as the Oxford International Bank.

The offshore banks offer a full range of services from currency dealing, purchase of metals and commodities to merchant banking. Confidentiality is covered by the Confidential Relationships Ordinance of 1979 which imposes tough penalties on the breach of express, or implied, conditions of commercial confidence.

To ensure against dirty money, the banks will not handle cash over the counter from persons not previously known and new accounts require strict references. This precaution is considered essential to protect the islands' good name, and is of particular relevance given the increasingly powerful reach of the U.S. Justice Department and Internal Revenue Service which are tightening up on laundered money in the Bahamas and Cayman.

"We are ready but the island is not really yet ready," says Mr Anton Faessler, general manager of the Turks and Caicos Banking Company. For the islands to be functioning as a fully fledged offshore centre, he cites five main prerequisites: direct telephone dialling; daily flights especially to Miami; daily mail; adequate hotel space; and ancillary services like printing. Improvements in this vital infrastructure are considerable but a lot still needs to be done.

Sliding scale

Similar considerations apply to other areas of offshore activity like company registration, trust companies and insurance.

Under existing law two types of company can be registered, ordinary and exempted. Ordinary companies can be registered for a fee of $275 with a capital up to $50,000. Thereafter the fee is on a sliding scale.

In the case of exempted companies, registered essentially for business outside the islands, the fee is $325 for a capital up to $3,000, thereafter on a sliding scale.

Exempted companies do not have to file annual accounts nor reveal the names of their directors and/or shareholders. They are guaranteed for 20 years against payment of any taxes.

A small number of companies have been set up on the islands to provide company incorporation and management services. These include registered office facilities and nominee shareholders. These are basically run by UK trained accountants and lawyers.

Of the companies registered, two thirds are exempted, their capital with few exceptions being dollar denominated, although companies can be registered in any currency.

In the first quarter of 1984, a total of 404 companies were registered. If this trend continues, over 1,000 will be registered during the year or some 10 per cent up on 1983. Last year government revenue from such registrations was worth $686,000.

It is hard to tell where the funds originate, since they usually come from either Cayman or Nassau. Recently some companies have begun to redomicile from Panama. Most of those registering are already established in other offshore centres. Few have yet chosen the Turks and Caicos as their exclusive base. One exception is a group of Greek shipping interests that established Dominion West which has also invested in one of the three modern office blocks.

The Government is in the process of drawing up a law to cover the creation and administration of trusts along the lines of the Bahamas. With the elections out of the way, this is now expected to be drafted shortly.

The Government is also in the process of refining the existing Banking Ordinance. In particular, it is likely that the restrictions on lending by banks will be changed. At present, no bank can lend more than 25 per cent of its capital and reserves.

Property investment

The taming of the 'wild west'

"PROVO, as Providenciales is known, was virgin territory until 1966. Then there were three small settlements linked only by footpath; there was no motor on the island, not even an outboard," recalls Mr Bengt Soderquist, *a Swedish surveyor*, who teamed up with a group of American investors to develop the island.

Back in 1966 Oxfam was administering a relief programme on the island. Now there is over $55m worth of construction work in progress.

In Grand Turk where the atmosphere is more staid, Provo is referred to condescendingly as the "wild west." This is the new frontier where the bulk of the investment in Turks and Caicos is being staked.

The impetus to develop Provo came from a wealthy American pilot, Mr Frederick Luddington, who had frequently flown over the island and recognised its potential—large sandy beach fronts, good, though not lush, vegetation, and slight elevation above the rest of the cays.

Consortium

He put together a consortium that included members of two well known American families—DuPont and Roosevelt—and Mr Rogers Morton, who became prominent in the Nixon Administration.

This array of names was instrumental in persuading the British Government to part with some 4,000 acres of prime land on Provo. The island was almost entirely Crown land. Opinions vary but Mr Luddington and his associates who formed Provident Ltd probably acquired over 60 per cent of the best land available.

In return for this they agreed to construct a 4,500 ft airstrip, build roads linking the three settlements, put up a hotel of at least 10 rooms, construct a jetty for the island and employ as many of the then 400 resident population as possible. This deal, agreed in October 1966, has conditioned all subsequent development on the island.

All the present infrastructure, including the newly enlarged and modernised airport (Luddington International), stems from the work done by Provident. The original share capital of Provident has gone through various mutations as a result of Mr Luddington's death, and a great deal of land has been sold off. (The 70 acre Club Mediterranée site was bought from them.) Nevertheless, Provident and its offshoots still control more land than anyone else save the Crown.

Provident built the first hotel on the island, the Third Turtle, and the adjacent marina. It was also instrumental in forming a power production co-operative, the Provident Power Corporation, which two years ago was bought up by the Cayman Utility Company.

The original agreement was a lease purchase. The price per acre has never been publicly *disclosed; but basically it* entailed commitment to develop and establish infrastructure. In 1969, with the minimum of infrastructure in place, a 2 acre prime beach front site near the Third Turtle, was going for $15,000. The same site today is worth up to $200,000. Inland on Provo's ridge, which has views of both sides of the ocean, land is going in lots of one acre for $45,000 to $65,000.

With the exception of beach front property in and close to the commercial centre of Grand Turk, Provo property is the most expensive and has also seen the biggest change of hands. "Prices took off when we realised the airport was to become international and when Club Med decided to come here," says Mr Soderquist.

Among the main local interests involved in property are the Misick family (Prestigious Properties) on Grand Turk and North Caicos, and Mr Albray Butterfield (Butterfield Gold) on Provo.

Tax exile money

Most money comes from Canada and the U.S. The advent of the Club Mediterranee is expected to generate French interests, and there is some British tax exile money as well. The origin of the money is often hard to establish, however, since it is routed through Cayman and Bahamas.

On Provo last month residents learned with surprise that an energetic young developer with a key marina site had been arrested pending extradition proceedings brought by the U.S. authorities on drug charges. But in general all those involved in the business are anxious to give the property business a "clean" image, well aware that *anything else could* damage long term prospects.

Until now, most property dealing and development has been highly speculative with prices affected by a number of factors.

1—The islands' tax haven status offers an attractive offshore investment away from the scrutiny of the tax authorities. Alternatively purchases have been made and construction carried out as tax loss or tax deductible operations.

2—The islands are well located, just over an hour's flying time from Miami.

3—The climate is exceptionally good with trade winds that cool and dry the tropical heat.

4—Property in the Bahamas and Cayman has rocketed in *the past 20 years. The Turks* and Caicos are in a similar position now as the latter were at the start of the development.

5—The natural expansion of North American capital and leisure interest. The Turks and Caicos untapped areas are seen as one of the last.

6—The offer of residential status that accompanies a substantial serious investment (around $200,000 but at the discretion of the Government).

A more general consideration affecting price is the linkage of the Turks and Caicos Islands to the U.S. dollar. This makes the investment well hedged and relatively liquid, with no problems of moving it once converted into cash.

Another attraction is that the islands remain under British protection as a dependency. When general elections were called in April, prices hesitated and business held back pending the outcome. Investors recognise that there is an element of risk long term as to which way the islands will go *politically—even though* both political parties claim not to want independence and to accept the same model of economic development.

A number of property dealers with long experience in the islands believe that so much speculation in land has occurred in the past two years that profits will *have to* be made now through construction. "With land costs up to $200,000 for a prime site and construction costs around $80 per sq ft, we have to be careful not to price ourselves out of the market," says one prominent real estate dealer.

Buyers for finished property are mainly senior executives on North American salaries who want winter retreats. It is a quality market aimed at a couple or family who want tranquillity, exclusiveness, and personal security. The residential status attached to house purchase could also attract Hong Kong citizens, developers hope.

The limiting factor on development is going to be construction costs. Construction is more expensive on the islands than anywhere else in the area as all materials and most labour have to be imported.

Quality

Costs could come down if lasting arrangements are made with the Dominican Republic, only 90 miles away, but such arrangements have proved difficult. Johnstons, who are building the Club Mediterranée, have managed, however, to work out a deal whereby all the aggregates were imported from the Dominican Republic. Most prefer to deal through Miami.

There is a danger that quality is being sacrificed to cut costs in construction.

Significantly the original bid by Johnstons for the Club Mediterranée was more than $30m but it was pared down to $16m.

Developers have to take account of port delays (it takes up to 48 hours to clear a barge); the need to build water catchment tanks or desalination plants; the corrosive effect of the sea climate; and safeguard against hurricanes.

Several developers, especially on Provo where land prices are so high, are very stretched for funds because of these costs. Insufficient properties have been pre-sold, too, and more genuine buyers rather than speculators are now needed.

The Government finds itself in a difficult position. It would like to control the nature of *development. Yet it wants to* generate income and still cannot really choose. For instance, the work permits system does not fully control people who come in as tourists, stay briefly on the island, yet deal in real estate. The biggest form of control remains in the British Government's hands—Crown land. West Caicos, for example, is uninhabited and there is more vacant land in the islands than in the whole land area of the British dependencies in the Caribbean.

Without doubt the long-talked-of causeway project, linking South Caicos to North Caicos, and eventually Provo, would open up huge areas of land for development. The absence of such a link has held back property values on North Caicos where less land is in Crown hands.

If the project does get under way, it is most likely that a good part of the finance would come via the sale of land against commitments to build sections of the causeway.

Such potential excites the developers; but behind all the talk and hope, caution is perhaps wiser. Given the value of land now, it is going to be a difficult exercise for the authorities to value Crown land in the causeway project.

In the meantime development is going to focus essentially on Grand Turk and Provo. A major boost to land values and development will come when one of the major hotel chains, of which Hyatt seems the most likely candidate, announces a big tourist project.

Salt production, once the islands' main source of revenue, looks doomed for ever but a new industry may soon be born

White gold gloom

THE HISTORIC importance of the islands stems from the salt industry. Production of salt from an extensive network of salt pans lasted almost 300 years, finally dying out in the early 1960s.

Various attempts have been made to interest the major international salt producers in reviving the industry; but so far they have all baulked at the investment necessary.

The industry was developed by colonists from Bermuda, first on Salt Cay and then on Grand Turk. By the turn of the 17th century salt production was flourishing. The success of the business was much helped by the location of the islands. Lying at the opening of the Windward Passage between Cuba and Hispaniola, the salt could be sold to vessels both going to and from the New World.

The Bermudans treated it as a seasonal business, coming down in the summer months and returning north for the winter. They brought in most of the stone for dyke construction, and for their own houses. On Salt Cay much of the original channels for the sea water remain, and one of the largest houses in the islands is a huge stone property on this cay built in the early 19th century. The raking was done by imported slaves.

The salt was considered high quality and fetched premium prices, especially during the American War of Independence. The islanders traditionally referred to salt as their white gold.

The small local population made it an export industry, which thrived while the world traded in shallow draft sailing vessels. The advent of the steamship and deeper drafts gradually eroded the value of the business since the islands possessed no deep water port.

The Government stepped in to try and rescue the industry in 1951, acquiring the entire operation. But it staggered on for only 13 years at the end of which mounting losses and impossibly high overheads forced its closure.

For Salt Cay the collapse of the industry has been disastrous. Salt was the sole source of employment. The population has been almost halved in the last 30 years and there is nothing to keep people on the island.

In addition the cutting down of trees to lessen humidity for the salt drying has reduced the fertility of the land not used for the salt. Land fertility has also been reduced in Grand Turk but at least there the salt pans can be reclaimed for urban development if necessary.

On Salt Cay there is talk of using the salt pans for shrimp farming. But, so far, no-one has produced the cash and a firm plan.

High hopes for aragonite

A GREAT many projects have ended up as bar gossip, totally unrealistic against the islands' primitive infrastructure. But one of the few ideas which has got off the ground is a project to utilise a rare form of sand found offshore in West Caicos.

This is aragonite, an extremely pure form of calcium carbonate—until now found off Bimini and in parts of Spain. Its main use is in Portland cement but it also has applications in paint, glass and special steels manufacture.

The aragonite project off West Caicos involves an initial investment of $30m and could bring in annual royalties to the Government in the order of $500,000. It will provide a stimulus to develop West Caicos and could eventually offer the opportunity to establish some ancillary industries.

The project is being carried out by Continental Mining and Dredging. This is a locally incorporated company, backed by a group of American investors whose identity is undisclosed due to the island's confidentiality in company registration.

Initially Continental signed an exploration contract in September 1982. In return for being allowed to prospect, the company agreed to carry out a feasibility study for the Government on a causeway between East and Middle Caicos, plus another study on the ecological impact of extracting the aragonite from the shallow waters.

The latter aspect was of particular importance since the islands pride themselves on having exceptionally rich marine life, which is the principal tourist attraction.

Although commercial quantities were not found where aragonite was first sought, they were later located on the northern shelf of West Caicos. It is estimated that around 100m tonnes are recoverable.

On the basis of these *reserves, Continental decided* to go ahead and an operating agreement was signed with the Government. This guarantees the Government a minimum royalty of $100,000 and is on a sliding scale pegged to production. Annual production could be as high as 5m tonnes, taking royalty payments up to $500,000.

So far the company has invested $2m. The bulk of the expenditure will be on dredging, and constructing a terminal-port and a conveyor belt.

Company representatives are confident that production can begin this year. However, everything has to be done from scratch, including erection of accommodation for up to 200 persons on site.

Also there have been a number of arcane legal snags attached to the rights for extraction of resources offshore. The islands have no continental shelf legislation.

The aragonite is mainly destined for the U.S. The impact of extraction on marine life is thought to be minimal, since aragonite itself is a renewable resource—*albeit* over a long time scale.

The new Providenciales airport. Its opening earlier this year was essential for the islands' future development

Development

Moving from the base line

TWENTY YEARS ago, the mail on most of the islands was delivered by aerial drop. One pilot recalls becoming so skilled that he could drop the mail out of the aeroplane window into the arms of the postman (who happened to be a good cricketer).

Communication between the islands was infrequent at best and Grand Turk, the capital, was visited perhaps only once a year for Christmas shopping by people from the other islands.

Even now life tends to revolve round events such as the arrival of fresh food from Miami. On Wednesdays in Grand Turk the shops close for two hours while produce is collected from the airport. Then there is a rush as customers come to see what has been imported.

Change has been fast over the last decade; but the starting point was so basic that the level of services and the choice of goods leaves much to be desired. The most important improvements have been in inter-island mobility and in the islands' access to the outside world.

Although the Turks and Caicos are a British dependency modern infrastructure has been provided by the Americans through the construction of military facilities. The U.S. established a military presence on South Caicos during the Second World War, upgrading the airfield and refuelling facilities.

Airfield

In the 1950s, the British Government permitted an American missile tracking station on Grand Turk, which also resulted in the present airfield, the loading jetty for barges, and the main road into town. The tracking station has latterly been used in the Nasa space programme.

At the north end of Grand Turk, the Americans additionally built an oceanographic facility to track Soviet submarines, plus a Coast Guard station on South Caicos.

By the end of last year, the Americans had abandoned all these installations, technological advances having rendered them obsolete. Nevertheless, they remain the largest complex of completed buildings on the islands. One scheme suggested last year was to turn the Navy base into a medical school.

By contrast the British Government has concentrated on the basics of colonial administration—gearing its low level commitment to the small population, to meeting the cost of duplicated infrastructure throughout the archipelago and compensating for the lack of natural resources. By the time the schooling and health bills had been covered, there was little left either in revenue or aid allocation for roads, electricity, telecommunications, airports, ports and housing. The first major capital commitment was the $10m Providenciales airport project, completed this year.

Where possible the British Government and the islands' Government have preferred to let the services be set up and run by private enterprise. Thus the main power supply, the national airline (TCNA), telecommunications (Cable and Wireless) and part of the water distribution are in private hands. Most of the roads on Providenciales have been privately built. Freight services to and from the islands are all private and without subsidy.

However, the Government is in charge of ports development and retains responsibility for the development and running of airports.

TCNA was bought out last year by a Texan millionaire, Mr Thomas ("Tommy") Strasburger, who already had invested in a small tourist development on Grand Turk and possessed the Hertz car rental franchise. He paid $500,000 for TCNA, enabling its debts to be cleared. The new owner acquired the right to lease the islands' terminals plus four aircraft (two Islanders, one Trilander and one Aztec). Four more second-hand light aircraft have been acquired and Mr Strasburger is looking into a slightly larger aircraft of the F-27 type capable of taking around 30 passengers.

The opposition People's Democratic Party (PDM) sought unsuccessfully to block the deal, arguing that the present structions. Eleven aircraft have be left with the government benevolently controlling Turks and Caicos private shareholdings. However, TCNA has acquired a new spruced up image and more flights have been put on. In six months passenger traffic has risen from 2,500 per month to 3,800.

Mr Strasburger says he believes the airline can both provide a service and be profitable. He takes the long term view that the islands will develop and that the right to two U.S. routes possessed by TCNA will be invaluable for generating U.S. tourist custom. TCNA also has routes to Puerto Plata in the Dominican Republic and Cap Haitien in Haiti, a fast expanding link.

There are a plethora of small air charter companies, the most significant being Flamingo Air Services. This makes movement easy, though expensive. The local aviation authorities have sought to tighten up on U.S. pilots operating in view of less stringent U.S. licensing regulations. Eleven aircraft have crashed in the past 12 months.

Viable

Other scheduled passenger international services are supplied by Air Florida, Cayman Airways and Bahamas Air—the latter serving South Caicos.

Under the islands' 1984-87 development plan greater attention is being given to improving port facilities, essential to support the projected volume of development.

On Grand Turk the U.S.-built jetty is in poor condition and will need both renovation and extension. The Caribbean Development Bank (CDB) has agreed in principle to finance this $2m project, provided docking dues make it viable.

The biggest current development is a $1.2m new dock on Providenciales, financed by the CDB.

South Caicos port facilities are being upgraded with a British development aid grant of $415,000 for a new dock. Almost certainly more funds will be needed for this dock since the existing contract has been broken.

In North Caicos, there are plans to spend $1.5m on a new port, probably sited at Bellefield or Parrot Cay.

Fortunately, the sea voyage from Miami, whence most goods come, is relatively calm; this means that goods can be carried easily in simple shallow draft barges with a roll-on/lift-on service. Much of the goods are now shipped in containers, the main service being operated by Movaline of Fort Lauderdale, which recently started up a new weekly service in conjunction with Baxter Hoare from Europe.

The transportation hurdles are slowly being tackled, but it is worth underlining that, should development begin to move any faster than the present pace, there would be serious bottlenecks. For instance no more than one complex such as the Club Mediterranée could be built on Providenciales at one time. Equally telecommunications, so vital for all aspects of development, could find difficulty coping with the pace.

Cable and Wireless acquired in 1972 a 20-year franchise providing exclusive telecommunications rights. The company has been criticised locally for its slowness both in providing lines and in installing direct dialling.

However, when set against the small number of subscribers—870 in all—Cable and Wireless has been called on to make a major investment, and it has also faced problems finding qualified staff, without resorting to costly imported labour.

It has just invested $4.5m in a digital microwave link and plans to install a $2.2m digital switch in 1986, plus a further 100 line extension for Providenciales. In Grand Turk lines are reaching close to saturation but some relief should be forthcoming by the end of this year.

Incoming direct dialling from the U.S. has been held up by a dispute between Cable and Wireless and AT and T over how to share costs and pricing. But the company believes that this service will be available before the summer.

The islands' history

A tale of sailors, slaves and buccaneers

Altar boys outside a Grand Turk church. Religion plays a strong role in the islands' life

Depending on whom you believe, Christopher Colombus touched land in 1492, either on East Caicos or on the beach in front of the Governor's residence on Grand Turk. He may never have landed in the Turks and Caicos Islands at all. In any event, Columbus pioneered the Turks Islands' Passage as the entrance to the West Indies and until 1609 it was the main route to North America.

The first permanent, modern settlement occurred towards the end of the 17th century when Bermudans came to exploit the island's capacity for salt production. Well before this settlement the islands' first inhabitants, Arawak Indians, were extinct.

The Bermudans brought with them slaves from Africa as labour for salt raking. More slaves were brought during the American War of Independence when loyalists left the U.S. for the Turks and Caicos Islands and the Bahamas.

They attempted to set up cotton plantations but the venture was dogged by weevils and drought, and was eventually abandoned at the turn of this century.

Those of African slave origin are the basis of the indigenous population of today.

The origin of the islands' names appear to be Spanish. The Spaniards referred to their enemies often as "Turks" and this was taken as a reference to the buccaneers and pirates who used the islands as a maurauding base. Caicos is considered a Spanish name for cay.

The Spanish link with the islands was brief, although Spaniards are credited with having originally found and used the natural salt.

Between 1753 and 1783 the French thrice invaded the islands but their aim was more to ensure protection for other French Caribbean possessions from the British.

At first the islands were governed by the British via the Bahamas and in 1799, members of the Turks and Caicos were permitted to sit in the Bahamas House of Assembly.

Following the abolition of slavery in 1834, the islands were brought under the jurisdiction of Jamaica. This was formalised in 1874 when the islands were annexed as a dependency to Jamaica.

This arrangement lasted until Jamaican independence in 1962 and accounts for the important ties between the older generation and Jamaica where many went for higher education.